

Financial Statements of

**ADDICTION AND MENTAL
HEALTH SERVICES - KFLA**

Year ended March 31, 2022

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

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Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Addiction and Mental Health Services - KFLA

Opinion

We have audited the financial statements of Addiction and Mental Health Services - KFLA (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, its cash flows, and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

July 6, 2022

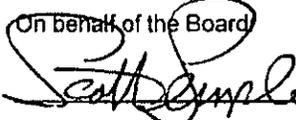
ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 6,112,518	\$ 4,906,635
Short-term investments (note 13)	850,000	842,500
Other receivables	555,652	1,069,341
Prepaid expenses	30,047	35,705
	<u>7,548,217</u>	<u>6,854,181</u>
Reserves:		
Cash (note 7)	492,730	490,176
Investments (note 7)	545,852	-
Long-term investments (note 13)	317,256	850,000
Capital assets (note 2)	20,970,363	20,881,425
	<u>\$ 29,874,418</u>	<u>\$ 29,075,782</u>
Liabilities, Deferred Capital Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,815,592	\$ 1,216,095
Accrued wages and vacation	832,366	461,167
Amounts payable to provincial ministries	3,185,575	3,227,374
Deferred revenue	252,484	569,189
Current portion of long-term debt (note 3(a))	26,566	34,100
	<u>6,112,583</u>	<u>5,507,925</u>
Long-term debt (note 3(a))	40,765	67,332
Forgivable loan (note 4)	-	8,400
Future employee benefits (note 14)	199,402	-
Deferred capital contributions (note 5)	10,891,792	11,175,528
Net assets:		
Internally restricted as agency housing properties capital reserve (note 8 (b))	3,019,786	3,102,550
Externally restricted for housing properties capital reserve (note 8 (a))	1,046,824	1,035,102
Externally restricted housing subsidy surplus (note 8(a))	13,710	13,710
Investment in capital assets (note 6(a))	10,011,240	9,596,065
Unrestricted	<u>(1,461,684)</u>	<u>(1,430,830)</u>
	12,629,876	12,316,597
Commitment (note 10)		
Contingent liabilities (note 11)		
	<u>\$ 29,874,418</u>	<u>\$ 29,075,782</u>

See accompanying notes to financial statements.

On behalf of the Board

 SCOTT. C. SEMPLE
 Director


 Director

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue (note 12):		
Ministry of Health/Ontario Health East funding	\$ 17,773,330	\$ 17,269,886
Sessional fees	53,152	53,931
One-time funding	481,000	982,471
Other provincial government funding	1,244,078	979,817
Subsidy repayable	(175,101)	(1,092,353)
	19,376,459	18,193,752
Recoveries and other income:		
Rental	872,502	838,161
Administrative cost recoveries	13,303	3,241
Interest	39,201	40,182
Other	1,563,615	919,907
	21,865,080	19,995,243
Expenses:		
Salaries and wages	13,139,812	12,327,587
Employee benefits	3,114,967	2,725,360
Purchased psychiatry services	918,019	850,423
Staff education and travel	199,994	144,629
Other supplies and services	2,257,879	2,129,875
Occupancy costs and repairs	1,626,592	1,486,157
	21,257,263	19,664,031
Excess of revenue over expenses before the undernoted	607,817	331,212
Amortization of deferred capital contributions	508,974	422,944
Amortization of capital assets	(803,512)	(734,260)
Gain on disposal of capital assets	–	3,871,443
Excess of revenue over expenses	\$ 313,279	\$ 3,891,339

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Internally restricted as agency housing properties capital reserve (note 8(b))	Externally restricted for housing properties capital reserve (note 8(a))	Externally restricted housing subsidy surplus (note 8(a))	Investment in capital assets (note 6)	Unrestricted	2022 Total	2021 Total
Balance (deficiency), beginning of year	\$ 3,102,550	\$ 1,035,102	\$ 13,710	\$ 9,596,065	\$ (1,430,830)	\$12,316,597	\$ 8,425,258
Excess (deficiency) of revenue over expenses	–	3,324	–	(294,538)	604,493	313,279	3,891,339
Net change in investment in capital assets	–	–	–	709,713	(709,713)	–	–
Transfers from operations	(82,764)	8,398	–	–	74,366	–	–
Balance (deficiency), end of year	\$ 3,019,786	\$ 1,046,824	\$ 13,710	\$ 10,011,240	\$ (1,461,684)	\$12,629,876	\$12,316,597

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 313,279	\$ 3,891,339
Items not involving cash:		
Amortization of deferred capital contributions	(508,974)	(422,944)
Amortization of capital assets	803,512	734,260
Gain on disposal of capital assets*	–	(3,871,443)
Increase in future employee benefits	199,402	–
Changes in non-cash operating working capital:		
Other receivables	513,688	(651,959)
Prepaid expenses	5,658	55,602
Accounts payable and accrued liabilities	599,499	107,320
Accrued wages and vacation	371,199	(654,053)
Amounts payable to provincial ministries	(41,799)	879,700
Deferred revenue	(316,705)	438,290
	1,938,759	506,112
Capital activities:		
Purchase of capital assets	(892,450)	(510,585)
Proceeds on disposal of capital assets	–	3,751,726
	(892,450)	3,241,141
Investing activities:		
Purchase of investments	(20,609)	(1,692,500)
Financing activities:		
Repayment of long-term debt	(34,101)	(2,058,792)
Increase in deferred capital contributions	225,238	822,353
Decrease in forgivable loan	(8,400)	(14,400)
	182,737	(1,250,839)
Increase in cash	1,208,437	803,914
Cash, beginning of year	5,396,811	4,592,897
Cash, end of year	\$ 6,605,248	\$ 5,396,811
Represented by:		
Cash:		
Operating funds	\$ 6,112,518	\$ 4,906,635
Reserve funds	492,730	490,176
	\$ 6,605,248	\$ 5,396,811

*Included in gain on disposal of capital assets is \$Nil (2021 - \$1,755,399) related to the unamortized deferred capital contribution on the disposed properties.

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements

Year ended March 31, 2022

On April 1, 2015, Addiction and Mental Health Services - KFLA (the "Organization") was incorporated as a non-profit corporation without share capital under the laws of Ontario as a result of an amalgamation of the former Frontenac Community Mental Health and Addiction Services and the former Lennox and Addington Addiction and Community Mental Health Services Inc. The Organization is a registered charity and is exempt from income taxes under the Income Tax Act (Canada). Using a variety of health and social supports, and in partnership with others, the Organization works with people who have a serious and persistent mental illness and/or addictions in order that they can be active, participating members of the communities of Kingston, Frontenac, and Lennox and Addington.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

(a) Capital assets:

Capital assets are recorded at cost. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided using the straight-line method over the following estimated useful lives:

Asset	Useful life
Buildings	40 years
Building service equipment	3 to 10 years
Napanee office equipment	3 to 10 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years
Leasehold improvements	15 years

The costs incurred for major capital projects, including interest costs, are classified separately as construction-in-progress until the project is substantially complete. Once complete, the costs are transferred to the appropriate capital asset category and amortization commences.

When conditions indicate that a capital asset no longer contributes to the Organization's ability to provide services or the value of the future economic benefits associated with the capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which includes donations and government grants.

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by the Ministry of Health/Ontario Health East (the "Ministry"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2022.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Other revenue is recognized when the goods are sold or the service is provided.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to subsequently carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(d) Employee future benefit liabilities:

The Organization accrues its obligations for employee benefit plans. The cost of non-pension post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the employee benefit plan is 16 years.

The Organization is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multiemployer defined benefit plan are expensed when due.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,600,872	\$ –	\$ 1,600,872	\$ 1,600,872
Buildings - supportive housing	5,082,431	2,318,607	2,763,824	2,894,906
Buildings - housing other	18,445,635	2,690,935	15,754,700	15,478,559
Buildings - other	646,104	541,471	104,633	110,928
Building service equipment	205,651	205,651	–	–
Napanee office equipment	212,879	212,879	–	–
Office furniture	84,339	6,596	77,743	55,628
Vehicles	113,464	85,208	28,256	39,378
Computer equipment	1,262,410	778,225	484,185	479,719
Leasehold improvements	888,457	732,307	156,150	221,435
	<u>\$ 28,542,242</u>	<u>\$ 7,571,879</u>	<u>\$ 20,970,363</u>	<u>\$ 20,881,425</u>

Cost and accumulated amortization as at March 31, 2021 amounted to \$27,649,792 and \$6,768,367, respectively.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Long-term debt:

(a) Long-term debt consists of the following amounts:

	2022	2021
Mortgage payable: 1.87% due June 1, 2022, repayable in blended monthly instalments of principal and interest of \$755, secured by a first charge on the Organization's real property at 38 Alma Street, Kingston (net book value of \$76,502)	\$ 3,007	\$ 11,918
Mortgage payable: 2.59% due January 1, 2023, repayable in blended monthly instalments of principal and interest of \$732, secured by a first charge on the Organization's real property at 322 Elmwood Street, Kingston (net book value of \$74,566)	7,238	15,722
Mortgage payable: 2.59% due January 1, 2023, repayable in blended monthly instalments of principal and interest of \$804, secured by a first charge on the Organization's real property at 11 Forsythe Avenue, Kingston (net book value of \$82,663)	8,735	18,033
Mortgage payable: 2.39% due March 1, 2023, repayable in blended monthly instalments of principal and interest of \$721, secured by a first charge on the Organization's real property at 124 Liddell Street, Kingston (net book value of \$87,402)	48,351	55,759
	67,331	101,432
Less principal included in current liabilities	26,566	34,100
	\$ 40,765	\$ 67,332

Principal repayments over the next two years are as follows:

2023	\$ 26,566
2024	40,765
	\$ 67,331

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Long-term debt (continued):

(a) Long-term debt consists of the following amounts (continued):

Interest on long-term debt in the amount of \$2,150 (2021 - \$13,129) is included in occupancy costs and repairs on the Statement of Operations.

(b) Bank overdraft:

Under the terms of the Organization's credit agreement, the Organization has an operating loan available to a maximum of \$750,000 to assist with working capital requirements, bearing interest at prime rate per annum. As at March 31, 2022, the operating loan was undrawn (2021 - undrawn).

4. Forgivable loan:

Residential Rehabilitation Assistance Program (RRAP):

On November 1, 2006, the Canada Mortgage and Housing Corporation (CMHC) undertook a forgivable loan under the RRAP program. This program was used to undertake accessibility modifications to the existing residential building.

The forgivable loan has been established in the form of a promissory note and is secured by a first mortgage charge on the property. Principal and interest payments will not be required for fifteen years, which corresponds with the term of the loan, provided that the building is not sold without the prior consent of the CMHC and that there is no other breach of the terms of the loans.

If a default should occur at any time during the terms of the loans, the total unearned principal of the loans shall become due and payable and interest will be charged from the date of default.

The forgivable loan is as follows:

	2022	2021
Housing:		
8.125% forgivable loan, secured by an operating agreement on 68-70 Dundas Street East, forgivable \$1,200 monthly plus interest for a fifteen-year term, maturing November 1, 2021	\$ —	\$ 8,400

During the year, the forgivable loan matured.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2022	2021
Balance, beginning of year	\$ 11,175,528	\$ 12,541,586
Additional contributions received	225,238	822,353
Less amounts amortized to revenue	(508,974)	(422,944)
Less disposal of deferred capital contributions	–	(1,765,467)
Balance, end of year	\$ 10,891,792	\$ 11,175,528

6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 20,970,363	\$ 20,881,425
Amounts financed by:		
Deferred contributions	(10,891,792)	(11,175,528)
Long-term debt	(67,331)	(101,432)
Forgivable loan	–	(8,400)
	\$ 10,011,240	\$ 9,596,065

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2022	2021
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 508,974	\$ 422,944
Amortization of capital assets	(803,512)	(734,260)
	<u>\$ (294,538)</u>	<u>\$ (311,316)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 892,450	\$ 510,585
Proceeds on sale of capital assets	—	(3,751,726)
Gain on disposal of capital assets	—	3,871,443
Amounts funded by deferred contributions	(225,238)	(822,353)
Repayment of long-term debt	34,101	2,058,792
Decrease in forgivable loan	8,400	14,400
	<u>\$ 709,713</u>	<u>\$ 1,881,141</u>

7. Reserves cash:

Cash carried under reserves, in the amount of \$492,730 (2021 - \$490,176) has been designated to support the internally and externally restricted capital reserves. The balance of cash does not include cash transferred after March 31, 2022 in the amount of \$8,242 (2021 - \$544,129) in respect of certain year-end transfers to/from reserves.

Investments under reserves, in the amount of \$545,852 (2021 - \$Nil) has been designated to support internally and externally restricted capital reserves. Investments consist of guaranteed investment certificates with interest rates ranging from 0.5% to 0.75% per annum and mature in June 2023.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Reserves:

Internally and externally restricted capital reserves are replacement reserves set aside to fund future capital replacements and significant repairs and maintenance to housing properties. Amounts are allocated to these reserves each year as per approved operating budgets:

(a) Externally restricted reserves:

	Externally restricted for housing properties capital reserve	Externally restricted housing subsidy surplus	Total 2022	Total 2021
Balance, beginning of year	\$ 1,035,102	\$ 13,710	\$ 1,048,812	\$ 1,117,914
Interest earned	3,324	—	3,324	2,997
Transfers from unrestricted	8,398	—	8,398	8,398
Transfer to unrestricted	—	—	—	(80,497)
Balance, end of year	\$ 1,046,824	\$ 13,710	\$ 1,060,534	\$ 1,048,812

(b) Internally restricted for agency housing properties capital reserve:

	2022	2021
Balance, beginning of year	\$ 3,102,550	\$ 1,376,445
Transfer from excess of revenue over expenses	—	1,755,399
Transfer to unrestricted	(82,764)	(29,294)
Balance, end of year	\$ 3,019,786	\$ 3,102,550

In 2021, the Organization approved a transfer of \$1,765,467 related to the unamortized deferred capital contributions on the disposed properties from excess of revenue over expenses to the internally restricted as agency housing properties capital reserve.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Pension plan and contributions to Registered Retirement Savings Plans:

Substantially all of the employees of the Organization are members of the HealthCare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Organization, on behalf of its employees amounted to \$1,290,528 (2021 - \$940,649) and are included in employee benefits expenses on the Statement of Operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2021 Annual Report indicates the plan is fully funded at 120%.

10. Commitment:

The Organization is committed to the payment of annual rent under the terms of a lease agreement as follows:

Location	Lease Expiry	Annual Rent
552 Princess Street	May 31, 2024	\$192,344 to expiry

In addition, the Organization is committed to the payment of additional rent in the form of a proportionate share of common area costs, property taxes and repairs and maintenance.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Contingent liabilities:

- (a) The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2022, accruals have been recorded where claims have been assessed as likely to occur and the loss can be reasonably determined. Where the amount of possible loss or the likelihood of loss is not determinable, management believes that the Organization has valid defenses and appropriate insurance coverage in place and the aggregate amount of any potential liability is not expected to have a material effect on the Organization's financial position.
- (b) The Organization has entered into a contribution agreement with the Corporation of the City of Kingston (the "Service Manager") for the funding of an affordable housing capital project located at 35 Lyon Street, Kingston Ontario. This agreement states that on each anniversary date of the interest adjustment date, the Organization shall pay the Service Manager the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Organization. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be forgiven at a rate of one twentieths (1/20) of the original principal amount of \$2,740,542 for each year following occupancy provided the Organization has fulfilled all the requirements of the agreement. The loan proceeds received to date of \$2,466,488 have been recorded as deferred capital contributions on the Statement of Financial Position and the loan amount is not recorded in these financial statements. The loan agreement expires in 2040.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Organization to pay interest charges or loan proceeds back to the Service Manager.

12. Provincial funding revenue:

The provincial operating subsidies are recognized based on approved fiscal allocations by the relevant Ministry. Current year unspent fiscal allocations are recognized as accounts payable to the relevant Ministry and are adjusted on the Statement of Operations in the current period. These operating subsidies are also subject to annual fiscal reviews and approval by the Ministry. Any year-end adjustments resulting from these reviews will be reflected as a subsidy recovery on the Statement of Operations in the year of approval.

During the year, the Ministry provided funding in the amount of \$42,998 from the Community Infrastructure Renewal Fund ("CIRF"). These funds were unspent as of March 31, 2022. The Ministry approved the funds to be carried forward to the 2023 fiscal year and as such, are included as a component of deferred revenue on the Statement of Financial Position.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. Investments:

Investments consist of guaranteed investment certificates with interest rates ranging from 0.45% to 2.62% per annum and have maturities ranging from June 2022 to March 2024.

Investments that mature before March 31, 2023 have been classified as short-term.

14. Future employee benefits:

The Organization's employees are entitled to accumulate unused sick hours and use these hours towards future illness. An independent actuarial study of the accumulating, non-vesting sick benefits was undertaken. The most recent valuation of the employee future benefits was completed as at March 31, 2022. The next valuation of the plan is planned for March 31, 2025. At March 31, 2022 the Organization's accrued benefit liabilities relating to employee future benefit plans are \$199,402 (2021 - \$Nil).

Information with respect to the Organization's employee future benefit liabilities is as follows:

	2022	2021
Accrued benefits obligation, beginning of year	\$ 185,528	\$ —
Current service cost	29,261	—
Interest on accrued benefits	4,709	—
Benefits payments	(20,096)	—
Accrued employee future benefits liability, end of year	\$ 199,402	\$ —

The accrued liability includes the following components:

	2022	2021
Accrued benefit obligations	\$ 187,257	\$ —
Unamortized actuarial gains	12,145	—
	\$ 199,402	\$ —

In 2021, the future employee benefits of \$185,528 were not recorded in the Organization's financial statements. In 2022, the accumulated liability has been recorded in the Organization's Statement of Operations as the portion of the liability related to prior periods is not material.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Future employee benefits (continued):

The significant actuarial assumptions adopted in estimating the Organization's accrued benefit obligation are as follows:

Discount rate	2.30% per annum
Discount rate to determine accrued benefit obligation for disclosure at end of period	3.10% per annum

15. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budgets to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to cash and receivables. The Organization assesses, on a continuous basis, receivables and provides for any amounts that are not considered collectible in the allowance for doubtful accounts.

The balance in the allowance for doubtful accounts at March 31, 2022 is \$Nil (2021 - \$Nil).

(c) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate risk through its long-term debt, as certain loans are variable interest rate loans. These are mitigated through its other long-term debt, which are fixed-rate debt arrangements.

There have been no significant change to the risk exposures from 2021.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2022

16. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Increased costs related to the purchase of materials and supplies
- Increased costs related to the set up and administration of the Kingston Isolation Centre
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Mandatory on-site client and staff screening and tracking protocols

United Way, Prince Edward Lennox and Addington Social Services and the Ministry of Health have provided funds in the amount of \$633,094 (2021 - \$1,234,307) to offset these increased costs for the 2022 fiscal year.

The Organization continues to respond to the pandemic and plan for continued operational and financial impacts during the 2023 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Organization has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

17. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Schedule 1 - Financial Summary

Year ended March 31, 2022

	Ontario Health East			Ministry of Health	Other	Other	2022 Total	2021 Total
	Mental Health Services Program	Addiction Services	Addiction Problem Gambling	Supportive Housing	Client Services	Agency Housing		
Revenue:								
OHE funding	\$ 15,538,927	\$ 1,968,887	\$ 265,516	\$ -	\$ -	\$ -	\$ 17,773,330	\$ 17,269,886
OHE sessional fees	53,152	-	-	-	-	-	53,152	53,931
OHE one-time funding	481,000	-	-	-	-	-	481,000	982,471
Other provincial funding	-	-	-	971,190	-	272,888	1,244,078	979,817
	16,073,079	1,968,887	265,516	971,190	-	272,888	19,551,560	19,286,105
Rental	-	-	-	46,655	-	825,847	872,502	838,161
Recoveries	12,788	515	-	-	-	-	13,303	3,241
Interest	39,201	-	-	-	-	-	39,201	40,182
Other municipal funding	-	-	-	-	-	-	-	54,371
Other	587,145	97,395	-	7,569	817,797	53,709	1,563,615	865,536
	639,134	97,910	-	54,224	817,797	879,556	2,488,621	1,801,491
Total revenue	16,712,213	2,066,797	265,516	1,025,414	817,797	1,152,444	22,040,181	21,087,596
Expenses:								
Salaries and wages	10,740,356	1,511,022	194,648	144,587	312,736	236,463	13,139,812	12,327,587
Employee benefits	2,569,172	339,276	44,569	30,184	80,572	51,194	3,114,967	2,725,360
Purchased psychiatry services	918,019	-	-	-	-	-	918,019	850,423
Staff education and travel	169,989	14,287	2,907	4,089	505	8,217	199,994	144,629
Other supplies and services	1,667,130	153,348	20,759	27,724	326,804	62,114	2,257,879	2,129,875
Occupancy costs and repairs	632,527	5,145	-	590,926	15,945	382,049	1,626,592	1,486,157
Total expenses	16,697,193	2,023,078	262,883	797,510	736,562	740,037	21,257,263	19,664,031
Excess of revenue over expenses before the undernoted	15,020	43,719	2,633	227,904	81,235	412,407	782,918	1,423,565
Subsidy repayable	(15,019)	(43,719)	(2,633)	(68,386)	(42,388)	(2,956)	(175,101)	(1,092,353)
Amortization of deferred capital contributions	164,450	-	-	-	-	344,524	508,974	422,944
Amortization of capital assets	(185,460)	-	-	(17,589)	-	(600,463)	(803,512)	(734,260)
Gain on disposal of capital assets	-	-	-	-	-	-	-	3,871,443
Excess (deficiency) of revenue over expenses	\$ (21,009)	\$ -	\$ -	\$ 141,929	\$ 38,847	\$ 153,512	\$ 313,279	\$ 3,891,339