

Financial Statements of

**ADDICTION AND MENTAL
HEALTH SERVICES - KFLA**

Year ended March 31, 2023

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

February 28, 2023

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 4,876,074	\$ 6,112,518
Short-term investments (note 13)	767,256	850,000
Receivable from OHE/MOH	67,877	337
Other receivables	651,861	555,315
Prepaid expenses	54,674	30,047
	<u>6,417,742</u>	<u>7,548,217</u>
Reserves:		
Cash (note 7)	517,214	492,730
Investments (note 7)	552,907	545,852
Long-term investments (note 13)	417,086	317,256
Capital assets (note 2)	20,391,227	20,970,363
	<u>\$ 28,296,176</u>	<u>\$ 29,874,418</u>
Liabilities, Deferred Capital Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,651,087	\$ 1,815,592
Accrued wages and vacation	1,260,852	832,366
Amounts payable to provincial ministries	1,660,580	3,185,575
Deferred revenue	116,858	252,484
Current portion of long-term debt (note 3(a))	7,587	26,566
	<u>4,696,964</u>	<u>6,112,583</u>
Long-term debt (note 3(a))	33,177	40,765
Asset retirement obligations (note 15)	188,000	—
Future employee benefits (note 14)	218,767	199,402
Deferred capital contributions (note 5)	10,625,330	10,891,792
Net assets:		
Internally restricted as agency housing properties capital reserve (note 8 (b))	2,922,610	3,019,786
Externally restricted for housing properties capital reserve (note 8 (a))	1,227,101	1,046,824
Externally restricted housing subsidy surplus (note 8(a))	13,710	13,710
Investment in capital assets (note 6(a))	9,725,133	10,011,240
Unrestricted	<u>(1,354,616)</u>	<u>(1,461,684)</u>
	12,533,938	12,629,876
Commitment (note 10)		
Contingent liabilities (note 11)		
	<u>\$ 28,296,176</u>	<u>\$ 29,874,418</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue (note 12):		
Ministry of Health/Ontario Health East funding	\$ 18,963,830	\$ 17,826,482
One-time funding	2,342,487	481,000
Other provincial government funding	1,339,273	1,244,078
Subsidy repayable	(465,255)	(175,101)
	<u>22,180,335</u>	<u>19,376,459</u>
Recoveries and other income:		
Rental	711,143	872,502
Administrative cost recoveries	13,303	13,303
Interest	179,779	39,201
Other	2,349,979	1,563,615
	<u>25,434,539</u>	<u>21,865,080</u>
Expenses:		
Salaries and wages	13,958,330	13,139,812
Employee benefits	3,080,957	3,114,967
Purchased and contracted out services	3,603,417	1,352,060
Staff education and travel	282,988	199,994
Other supplies and services	2,223,252	1,823,838
Occupancy costs and repairs	1,880,859	1,626,592
	<u>25,029,803</u>	<u>21,257,263</u>
Excess of revenue over expenses before the undernoted	404,736	607,817
Amortization of deferred capital contributions	540,173	508,974
Amortization of capital assets	(852,847)	(803,512)
Excess of revenue over expenses	<u>\$ 92,062</u>	<u>\$ 313,279</u>

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	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	2023 Total	2022 Total
Balance (deficiency), beginning of year as previously stated	\$ 3,019,786	\$ 1,046,824	\$ 13,710	\$ 10,011,240	\$ (1,461,684)	\$ 12,629,876	\$ 12,316,597
Change in accounting policy (note 17)	–	–	–	–	(188,000)	(188,000)	–
Balance (deficiency), beginning of year as restated	3,019,786	1,046,824	13,710	10,011,240	(1,649,684)	12,441,876	12,316,597
Excess (deficiency) of revenue over expenses	–	–	–	(312,674)	404,736	92,062	313,279
Net change in investment in capital assets	–	–	–	26,567	(26,567)	–	–
Transfers from operations	(97,176)	180,277	–	–	(83,101)	–	–
Balance (deficiency), end of year	\$ 2,922,610	\$ 1,227,101	\$ 13,710	\$ 9,725,133	\$ (1,354,616)	\$ 12,533,938	\$ 12,629,876

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 92,062	\$ 313,279
Items not involving cash:		
Amortization of deferred capital contributions	(540,173)	(508,974)
Amortization of capital assets	852,847	803,512
Increase in future employee benefits	–	199,402
Changes in non-cash operating working capital:		
Receivable from OHE/MOH	(67,540)	–
Other receivables	(96,547)	513,688
Prepaid expenses	(24,627)	5,658
Accounts payable and accrued liabilities	(164,505)	599,499
Accrued wages and vacation	428,486	371,199
Amounts payable to provincial ministries	(1,524,995)	(41,799)
Deferred revenue	(135,626)	(316,705)
	(1,180,618)	1,938,759
Capital activities:		
Purchase of capital assets	(273,711)	(892,450)
Investing activities:		
Purchase of investments	(24,140)	(20,609)
Financing activities:		
Repayment of long-term debt	(26,567)	(34,101)
Increase in deferred capital contributions	273,711	225,238
Decrease in forgivable loan	–	(8,400)
Increase in future employee benefits	19,365	199,402
	266,509	382,139
Change in cash	(1,211,960)	1,208,437
Cash, beginning of year	6,605,248	5,396,811
Cash, end of year	\$ 5,393,288	\$ 6,605,248
Represented by:		
Cash:		
Operating funds	\$ 4,876,074	\$ 6,112,518
Reserve funds	517,214	492,730
	\$ 5,393,288	\$ 6,605,248

See accompanying notes to financial statements.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements

Year ended March 31, 2023

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, 2023

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, 2023.

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, 2023

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) Asset retirement obligations:

The Organization recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

(f) 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, 2023

1. Significant accounting policies (continued):

(g) Statement of Remeasurement Gains and Losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2023.

2. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 1,600,872	\$ –	\$ 1,600,872	\$ 1,600,872
Buildings - supportive housing	5,082,431	2,439,749	2,642,682	2,763,824
Buildings - housing other	18,613,728	3,173,859	15,439,869	15,754,700
Buildings - other	646,104	569,619	76,485	104,633
Building service equipment	205,651	205,651	–	–
Napanee office equipment	212,879	212,879	–	–
Office furniture	84,339	15,029	69,310	77,743
Vehicles	210,493	108,993	101,500	28,256
Computer equipment	1,270,998	901,354	369,644	484,185
Leasehold improvements	888,457	797,592	90,865	156,150
	<u>\$ 28,815,952</u>	<u>\$ 8,424,725</u>	<u>\$ 20,391,227</u>	<u>\$ 20,970,363</u>

Cost and accumulated amortization as at March 31, 2022 amounted to \$28,542,242 and \$7,571,879, respectively.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Long-term debt:

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

	2023	2022
Mortgage payable: 1.87% due June 1, 2023, 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	\$ —	\$ 3,007
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	—	7,238
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	—	8,735
Mortgage payable: 2.39% due March 1, 2028, repayable in blended monthly instalments of principal and interest of \$747, secured by a first charge on the Organization's real property at 124 Liddell Street, Kingston	40,764	48,351
	40,764	67,331
Less principal included in current liabilities	7,587	26,566
	\$ 33,177	\$ 40,765

Principal repayments over the next two years are as follows:

2024	\$ 7,587
2025	7,587
2026	7,587
2027	7,587
2028	10,416
	\$ 40,764

Interest on long-term debt in the amount of \$1,280 (2022 - \$2,150) is included in occupancy costs and repairs on the Statement of Operations.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Long-term debt (continued):

(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, 2023, the operating loan was undrawn (2022 - 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:

	2023	2022
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	\$ -	\$ -

During fiscal 2022, the forgivable loan matured.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

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.

	2023	2022
Balance, beginning of year	\$ 10,891,792	\$ 11,175,528
Additional contributions received	273,711	225,238
Less amounts amortized to revenue	(540,173)	(508,974)
Balance, end of year	\$ 10,625,330	\$ 10,891,792

6. Investment in capital assets:

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

	2023	2022
Capital assets	\$ 20,391,227	\$ 20,970,363
Amounts financed by:		
Deferred contributions	(10,625,330)	(10,891,792)
Long-term debt	(40,764)	(67,331)
	\$ 9,725,133	\$ 10,011,240

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Investment in capital assets (continued):

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

	2023	2022
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 540,173	\$ 508,974
Amortization of capital assets	(852,847)	(803,512)
	(312,674)	\$ (294,538)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 273,711	\$ 892,450
Amounts funded by deferred contributions	(273,711)	(225,238)
Repayment of long-term debt	26,567	34,101
Decrease in forgivable loan	-	8,400
	\$ 26,567	\$ 709,713

7. Reserves cash:

Cash carried under reserves, in the amount of \$517,214 (2022 - \$492,730) has been designated to support the internally and externally restricted capital reserves. The balance of cash does not include cash transferred after March 31, 2023 in the amount of \$156,980 (2022 - \$8,242) in respect of certain year-end transfers to/from reserves.

Investments under reserves, in the amount of \$552,907 (2022 - \$545,852) has been designated to support internally and externally restricted capital reserves. Investments consist of guaranteed investment certificates with an interest rate of 5.1% per annum and mature between December 2023 and December 2024.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

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 2023	Total 2022
Balance, beginning of year	\$ 1,046,824	\$ 13,710	\$ 1,060,534	\$ 1,048,812
Interest earned	23,297	—	23,297	3,324
Transfers from unrestricted	156,980	—	156,980	8,398
Balance, end of year	\$ 1,227,101	\$ 13,710	\$ 1,240,811	\$ 1,060,534

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

	2023	2022
Balance, beginning of year	\$ 3,019,786	\$ 3,102,550
Transfer to unrestricted	(97,176)	(82,764)
Balance, end of year	\$ 2,922,610	\$ 3,019,786

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

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 \$1,060,236 (2022 - \$1,054,766) 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 2022 Annual Report indicates the plan is fully funded at 117%.

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
661 Montreal Street	March 31, 2024	\$150,620 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, 2023

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, 2023, 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.

- (c) During the normal course of operation, the Organization is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

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.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Investments:

Investments consist of guaranteed investment certificates with interest rates ranging from 1.52% to 3.55% per annum and have maturities ranging from April 2023 to June 2024.

Investments that mature before March 31, 2024 have been classified as short-term. Investments that matured after year-end have been subsequently reinvested.

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, 2023 the Organization's accrued benefit liabilities relating to employee future benefit plans are \$218,767 (2022 - \$199,402).

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

	2023	2022
Accrued benefits obligation, beginning of year	\$ 199,402	\$ 185,528
Current service cost	27,957	29,261
Interest on accrued benefits	6,353	4,709
Benefits payments	(14,186)	(20,096)
Amortization of actuarial gains	(759)	—
Accrued employee future benefits liability, end of year	\$ 218,767	\$ 199,402

The accrued liability includes the following components:

	2023	2022
Accrued benefit obligations	\$ 190,958	\$ 187,257
Unamortized actuarial gains	27,809	12,145
	\$ 218,767	\$ 199,402

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. Future employee benefits (continued):

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

Discount rate	3.10% (2022 - 2.30%) per annum
Discount rate to determine accrued benefit obligation for disclosure at end of period	3.80% (2022 - 3.10%) per annum

15. Asset retirement obligations:

The Organization's asset retirement obligations relate to the legally required removal or remediation of certain material in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate such material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ —	\$ —
Adjustment on adoption of PS 3280 asset retirement obligation standard (note 17)	188,000	—
Opening balance, as restated	188,000	—
Less: obligations settled during the year	—	—
Balance, end of year	\$ 188,000	\$ —

16. 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.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risks and concentration of risk (continued):

(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, 2023 is \$Nil (2022 - \$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 2022.

17. Change in accounting policy:

On April 1, 2022, the Organization adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Organization's asset retirement obligations are applied as of the date of adoption of the standard.

On April 1, 2022, the Organization recognized an asset retirement obligation relating to buildings owned by the Organization. The buildings were originally purchased or constructed between 1890 and 2018, and the liability was measured as of the date of purchase or construction of the buildings, when the liability was created. The buildings had an expected useful life of 40 years, and the estimate has not been changed since purchase or construction.

ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Schedule 1 - Financial Summary

Year ended March 31, 2023

	Ontario Health East			Ministry of Health	Other	Other	2023 Total	2022 Total
	Mental Health Services Program	Addiction Services	Addiction Problem Gambling	Supportive Housing	Client Services	Agency Housing		
Revenue:								
OHE funding	\$ 15,580,947	\$ 3,013,985	\$ 297,194	\$ -	\$ -	\$ -	\$ 18,892,126	\$ 17,773,330
OHE sessional fees	71,704	-	-	-	-	-	71,704	53,152
OHE one-time funding	42,487	2,300,000	-	-	-	-	2,342,487	481,000
Other provincial funding	-	-	-	1,065,170	-	274,103	1,339,273	1,244,078
	15,695,138	5,313,985	297,194	1,065,170	-	274,103	22,645,590	19,551,560
Rental	-	19,750	-	92,233	-	599,160	711,143	872,502
Recoveries	11,294	2,079	-	-	-	-	13,373	13,303
Interest	179,779	-	-	-	-	-	179,779	39,201
Other municipal funding	-	-	-	-	-	-	-	-
Other	373,203	182,300	-	11,653	1,762,243	20,510	2,349,909	1,563,615
	564,276	204,129	-	103,886	1,762,243	619,670	3,254,204	2,488,621
Total revenue	16,259,414	5,518,114	297,194	1,169,056	1,762,243	893,773	25,899,794	22,040,181
Expenses:								
Salaries and wages	10,601,716	1,858,634	210,311	165,423	911,288	210,958	13,958,330	13,139,812
Employee benefits	2,325,750	428,024	53,050	40,328	183,370	50,435	3,080,957	3,114,967
Purchased contracted out services	1,321,377	2,110,369	8,483	-	163,188	-	3,603,417	918,019
Staff education and travel	194,851	50,645	13,203	5,546	10,799	7,944	282,988	199,994
Other supplies and services	1,285,533	563,481	11,080	62,335	395,746	(94,923)	2,223,252	2,257,879
Occupancy costs and repairs	511,076	224,005	-	644,810	41,107	459,861	1,880,859	1,626,592
Total expenses	16,240,303	5,235,158	296,127	918,442	1,705,498	634,275	25,029,803	21,257,263
Excess of revenue over expenses before the undernoted	19,111	282,956	1,067	250,614	56,745	259,498	869,991	782,918
Subsidy repayable	(19,112)	(282,956)	(1,067)	(78,326)	(50,000)	(33,794)	(465,255)	(175,101)
Amortization of deferred capital contributions	199,624	-	-	-	-	340,549	540,173	508,974
Amortization of capital assets	(220,633)	-	-	(19,269)	-	(612,945)	(852,847)	(803,512)
Gain on disposal of capital assets	-	-	-	-	-	-	-	-
Excess (deficiency) of revenue over expenses	\$ (21,010)	\$ -	\$ -	\$ 153,019	\$ 6,745	\$ (46,692)	\$ 92,062	\$ 313,279