

Financial Statements of

**ADDICTION AND MENTAL  
HEALTH SERVICES - KFLA**

Year ended March 31, 2026

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

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Year ended March 31, 2026

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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, 2026
- 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, 2026, 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.

- 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 24, 2026

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

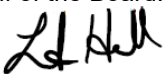
## Statement of Financial Position

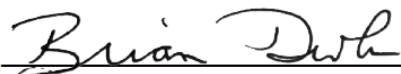
March 31, 2026, with comparative information for 2025

|                                                                                 | 2026                 | 2025                 |
|---------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                   |                      |                      |
| Current assets:                                                                 |                      |                      |
| Cash                                                                            | \$ 6,896,328         | \$ 6,780,829         |
| Short-term investments (note 12)                                                | 673,728              | 603,268              |
| Receivable from Ministry of Health/Ontario Health East                          | 371,655              | 95,195               |
| Other receivables                                                               | 1,374,706            | 980,618              |
| Prepaid expenses                                                                | 160,493              | 161,290              |
|                                                                                 | 9,476,910            | 8,621,200            |
| Reserves:                                                                       |                      |                      |
| Cash (note 6)                                                                   | 1,088,455            | 875,579              |
| Investments (note 6)                                                            | 602,432              | 602,432              |
| Long-term investments (note 12)                                                 | 649,141              | 673,728              |
| Capital assets (note 2)                                                         | 19,247,761           | 19,236,222           |
|                                                                                 | <b>\$ 31,064,699</b> | <b>\$ 30,009,161</b> |
| <b>Liabilities, Deferred Capital Contributions and Net Assets</b>               |                      |                      |
| Current liabilities:                                                            |                      |                      |
| Accounts payable and accrued liabilities                                        | \$ 2,529,560         | \$ 1,903,074         |
| Accrued wages and vacation                                                      | 1,022,763            | 1,722,339            |
| Amounts payable to provincial ministries                                        | 2,123,972            | 2,392,649            |
| Deferred revenue                                                                | 1,127,480            | 523,898              |
| Current portion of long-term debt (note 3(a))                                   | 8,453                | 8,140                |
|                                                                                 | 6,812,228            | 6,550,100            |
| Long-term debt (note 3(a))                                                      | 8,785                | 17,238               |
| Asset retirement obligations (note 14)                                          | 233,063              | 223,690              |
| Future employee benefits (note 13)                                              | 277,164              | 252,918              |
| Deferred capital contributions (note 4)                                         | 10,394,371           | 10,091,548           |
|                                                                                 | 17,725,611           | 17,135,494           |
| Net assets:                                                                     |                      |                      |
| Internally restricted as agency housing properties capital reserve (note 7 (b)) | 2,990,499            | 2,931,214            |
| Externally restricted for housing properties capital reserve (note 7 (a))       | 2,101,861            | 1,638,477            |
| Externally restricted housing subsidy surplus (note 7 (a))                      | 13,710               | 13,710               |
| Investment in capital assets (note 5 (a))                                       | 8,836,152            | 9,119,296            |
| Unrestricted                                                                    | (603,134)            | (829,030)            |
|                                                                                 | 13,339,088           | 12,873,667           |
| Commitment (note 9)                                                             |                      |                      |
| Contingent liabilities (note 10)                                                |                      |                      |
|                                                                                 | <b>\$ 31,064,699</b> | <b>\$ 30,009,161</b> |

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, 2026, with comparative information for 2025

|                                                       | 2026          | 2025          |
|-------------------------------------------------------|---------------|---------------|
| Revenue (note 11):                                    |               |               |
| Ministry of Health/Ontario Health East funding        | \$ 22,039,882 | \$ 22,098,680 |
| One-time funding                                      | 120,172       | 400,347       |
| Other provincial government funding                   | 1,713,361     | 1,389,723     |
|                                                       | 23,873,415    | 23,888,750    |
| Recoveries and other income:                          |               |               |
| Rental                                                | 1,046,086     | 1,037,643     |
| Administrative cost recoveries                        | 2,381         | 10,268        |
| Interest                                              | 277,248       | 338,703       |
| Other                                                 | 3,321,535     | 3,230,566     |
|                                                       | 28,520,665    | 28,505,930    |
| Expenses:                                             |               |               |
| Salaries and wages                                    | 16,447,202    | 15,828,658    |
| Employee benefits                                     | 3,598,719     | 3,517,549     |
| Purchased and contracted out services                 | 1,697,469     | 3,176,440     |
| Staff education and travel                            | 281,258       | 231,191       |
| Other supplies and services                           | 2,488,346     | 2,576,892     |
| Occupancy costs and repairs                           | 2,351,061     | 2,230,955     |
|                                                       | 26,864,055    | 27,561,685    |
| Excess of revenue over expenses before the undernoted | 1,656,610     | 944,245       |
| Subsidy repayable                                     | (890,532)     | (433,090)     |
| Asset retirement costs                                | (9,373)       | (5,690)       |
| Amortization of deferred capital contributions        | 644,075       | 584,202       |
| Amortization of capital assets                        | (935,359)     | (892,750)     |
| Excess of revenue over expenses                       | \$ 465,421    | \$ 196,917    |

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Statement of Changes in Net Assets

Year ended March 31, 2026, with comparative information for 2025

|                                                 | Internally<br>restricted<br>as agency<br>housing<br>properties<br>capital reserve<br>(note 7(b)) | Externally<br>restricted<br>for housing<br>properties<br>capital<br>reserve<br>(note 7(a)) | Externally<br>restricted<br>housing<br>subsidy<br>surplus<br>(note 7(a)) | Investment<br>in capital<br>assets<br>(note 5) | Unrestricted | 2026<br>Total | 2025<br>Total |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------|--------------|---------------|---------------|
| Balance (deficiency), beginning<br>of year      | \$ 2,931,214                                                                                     | \$ 1,638,477                                                                               | \$ 13,710                                                                | \$ 9,119,296                                   | \$ (829,030) | \$ 12,873,667 | \$ 12,676,750 |
| Excess (deficiency) of revenue<br>over expenses | 90,603                                                                                           | 52,410                                                                                     | —                                                                        | (291,284)                                      | 613,692      | 465,421       | 196,917       |
| Net change in investment—<br>in capital assets  | —                                                                                                | —                                                                                          | —                                                                        | 8,140                                          | (8,140)      | —             | —             |
| Interfund transfers                             | (31,318)                                                                                         | 410,974                                                                                    | —                                                                        | —                                              | (379,656)    | —             | —             |
| Balance (deficiency), end of year               | \$ 2,990,499                                                                                     | \$ 2,101,861                                                                               | \$ 13,710                                                                | \$ 8,836,152                                   | \$ (603,134) | \$ 13,339,088 | \$ 12,873,667 |

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

|                                                        | 2026         | 2025         |
|--------------------------------------------------------|--------------|--------------|
| Cash provided by (used in):                            |              |              |
| Operating activities:                                  |              |              |
| Excess of revenue over expenses                        | \$ 465,421   | \$ 196,917   |
| Items not involving cash:                              |              |              |
| Amortization of deferred capital contributions         | (644,075)    | (584,202)    |
| Amortization of capital assets                         | 935,359      | 892,750      |
| Asset retirement costs                                 | 9,373        | 5,690        |
| Increase in future employee benefits                   | 24,246       | 15,411       |
| Changes in non-cash operating working capital:         |              |              |
| Receivable from Ministry of Health/Ontario Health East | (276,460)    | (10,010)     |
| Other receivables                                      | (394,088)    | (368,335)    |
| Prepaid expenses                                       | 797          | (24,970)     |
| Accounts payable and accrued liabilities               | 626,486      | 27,033       |
| Accrued wages and vacation                             | (699,576)    | 831,101      |
| Amounts payable to provincial ministries               | (268,677)    | 196,593      |
| Deferred revenue                                       | 603,582      | 159,991      |
|                                                        | 382,388      | 1,337,969    |
| Capital activities:                                    |              |              |
| Purchase of capital assets                             | (946,898)    | (278,963)    |
| Receipt of deferred capital contributions              | 946,898      | 278,963      |
|                                                        | —            | —            |
| Investing activities:                                  |              |              |
| Increase in investments                                | (45,873)     | (79,896)     |
| Financing activities:                                  |              |              |
| Repayment of long-term debt                            | (8,140)      | (7,841)      |
| Increase in cash                                       | 328,375      | 1,250,232    |
| Cash, beginning of year                                | 7,656,408    | 6,406,176    |
| Cash, end of year                                      | \$ 7,984,783 | \$ 7,656,408 |
| Represented by:                                        |              |              |
| Cash:                                                  |              |              |
| Operating funds                                        | \$ 6,896,328 | \$ 6,780,829 |
| Reserve funds                                          | 1,088,455    | 875,579      |
|                                                        | \$ 7,984,783 | \$ 7,656,408 |

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Notes to Financial Statements

Year ended March 31, 2026

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) 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 |
| Office equipment and furniture | 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, 2026

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## 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, 2026.

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 are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

### (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.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

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## 1. Significant accounting policies (continued):

### (c) Financial instruments (continued):

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.

### (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 15 years (2025 - 16 years).

The Organization participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2025 disclosed actuarial assets of \$132 billion (2024 - \$123 billion) with accrued pension liabilities of \$121 billion (2024 - \$113 billion), resulting in a surplus of \$11 billion (2024 - \$10 billion). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2025 based on the assumptions and methods adopted for the valuation.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

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## 1. Significant accounting policies (continued):

### (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.

### (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, 2026 or 2025.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 2. Capital assets:

|                                |                      |                             | 2026                 | 2025                 |
|--------------------------------|----------------------|-----------------------------|----------------------|----------------------|
|                                | Cost                 | Accumulated<br>amortization | Net book<br>value    | Net book<br>value    |
| Land                           | \$ 1,600,872         | \$ —                        | \$ 1,600,872         | \$ 1,600,872         |
| Buildings - supportive housing | 5,231,033            | 2,823,888                   | 2,407,145            | 2,473,070            |
| Buildings - housing other      | 18,887,402           | 4,687,280                   | 14,200,122           | 14,569,768           |
| Buildings - other              | 772,356              | 674,373                     | 97,983               | 116,908              |
| Building service equipment     | 205,651              | 205,651                     | —                    | —                    |
| Office equipment               | 212,879              | 212,879                     | —                    | —                    |
| Office furniture               | 84,339               | 40,331                      | 44,008               | 52,442               |
| Vehicles                       | 573,953              | 325,755                     | 248,198              | 263,429              |
| Computer equipment             | 1,373,967            | 1,254,881                   | 119,086              | 154,184              |
| Leasehold improvements         | 1,446,133            | 915,786                     | 530,347              | 5,549                |
|                                | <b>\$ 30,388,585</b> | <b>\$ 11,140,824</b>        | <b>\$ 19,247,761</b> | <b>\$ 19,236,222</b> |

Cost and accumulated amortization as at March 31, 2025 amounted to \$29,441,687 and \$10,205,465, respectively.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 3. Long-term debt:

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

|                                                                                                                                                                                                                                    | 2026      | 2025      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Mortgage payable: 3.810% due March 1, 2028,<br>repayable in blended monthly instalments of<br>principal and interest of \$747, secured by a<br>first charge on the Organization's real property<br>at 124 Liddell Street, Kingston | \$ 17,238 | \$ 25,378 |
| Less current portion of long-term debt                                                                                                                                                                                             | (8,453)   | (8,140)   |
|                                                                                                                                                                                                                                    | \$ 8,785  | \$ 17,238 |

Principal repayments over the next two years are as follows:

|      |           |
|------|-----------|
| 2027 | \$ 8,453  |
| 2028 | 8,785     |
|      | \$ 17,238 |

Interest on long-term debt in the amount of \$820 (2025 - \$1,119) 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, 2026, the operating loan was undrawn (2025 - undrawn).

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 4. 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.

|                                   | 2026          | 2025          |
|-----------------------------------|---------------|---------------|
| Balance, beginning of year        | \$ 10,091,548 | \$ 10,396,787 |
| Additional contributions received | 946,898       | 278,963       |
| Less amounts amortized to revenue | (644,075)     | (584,202)     |
| Balance, end of year              | \$ 10,394,371 | \$ 10,091,548 |

## 5. Investment in capital assets:

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

|                        | 2026          | 2025          |
|------------------------|---------------|---------------|
| Capital assets         | \$ 19,247,761 | \$ 19,236,222 |
| Amounts financed by:   |               |               |
| Deferred contributions | (10,394,371)  | (10,091,548)  |
| Long-term debt         | (17,238)      | (25,378)      |
|                        | \$ 8,836,152  | \$ 9,119,296  |

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

|                                                                  | 2026         | 2025         |
|------------------------------------------------------------------|--------------|--------------|
| Excess of expenses over revenue:                                 |              |              |
| Amortization of deferred contributions related to capital assets | \$ 644,075   | \$ 584,202   |
| Amortization of capital assets                                   | (935,359)    | (892,750)    |
|                                                                  | \$ (291,284) | \$ (308,548) |
| Net change in investment in capital assets:                      |              |              |
| Purchase of capital assets                                       | \$ 946,898   | \$ 278,963   |
| Amounts funded by deferred contributions                         | (946,898)    | (278,963)    |
| Repayment of long-term debt                                      | 8,140        | 7,841        |
|                                                                  | \$ 8,140     | \$ 7,841     |

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 6. Reserves cash:

Cash carried under reserves, in the amount of \$1,088,455 (2025 - \$875,579) has been designated to support the internally and externally restricted capital reserves. The balance of cash does not include cash transferred after March 31, 2026 in the amount of \$410,974 (2025 - \$160,466) in respect of certain year-end transfers to/from reserves.

Investments under reserves, in the amount of \$602,432 (2025 - \$602,432) have been designated to support internally and externally restricted capital reserves. Investments consist of guaranteed investment certificates with interest rates ranging from 3.45% to 5.30% per annum and mature between August 2026 and January 2028.

## 7. 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<br>restricted for<br>housing<br>properties<br>capital<br>reserve | Externally<br>restricted<br>housing<br>subsidy<br>surplus | Total<br>2026 | Total<br>2025 |
|-----------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------|---------------|---------------|
| Balance, beginning of year  | \$ 1,638,477                                                                | \$ 13,710                                                 | \$ 1,652,187  | \$ 1,432,819  |
| Interest earned             | 52,410                                                                      | —                                                         | 52,410        | 58,901        |
| Transfers from unrestricted | 410,974                                                                     | —                                                         | 410,974       | 160,467       |
| Balance, end of year        | \$ 2,101,861                                                                | \$ 13,710                                                 | \$ 2,115,571  | \$ 1,652,187  |

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

|                            | 2026         | 2025         |
|----------------------------|--------------|--------------|
| Balance, beginning of year | \$ 2,931,214 | \$ 2,886,553 |
| Transfer from unrestricted | 59,285       | 44,661       |
| Balance, end of year       | \$ 2,990,499 | \$ 2,931,214 |

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 8. Pension plan and contributions:

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 \$944,268,43 (2025 - \$1,188,946) 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 2025 Annual Report indicates the plan is fully funded at 109%.

## 9. 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, 2029   | \$205,890 to expiry |
| 661 Montreal Street | March 31, 2027 | \$12,550 per month  |

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.

## 10. 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, 2026, 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.

# **ADDICTION AND MENTAL HEALTH SERVICES - KFLA**

Notes to Financial Statements (continued)

Year ended March 31, 2026

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## **10. Contingent liabilities (continued):**

- (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.

## **11. 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.

## **12. Investments:**

Investments consist of guaranteed investment certificates with interest rates ranging from 3.40% to 5.14% per annum and have maturities ranging from May 2026 to June, 2028.

Investments that mature before March 31, 2027 have been classified as short-term.

Investments that matured after year-end have been subsequently reinvested.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 13. 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, 2025. The next valuation of the plan is planned for March 31, 2028. At March 31, 2026, the Organization's accrued benefit liabilities relating to employee future benefit plans are \$277,164 (2025 - \$252,918).

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

|                                                         | 2026       | 2025       |
|---------------------------------------------------------|------------|------------|
| Accrued benefits obligation, beginning of year          | \$ 252,918 | \$ 237,507 |
| Current service cost                                    | 46,558     | 28,464     |
| Interest on accrued benefits                            | 15,212     | 8,551      |
| Benefits payments                                       | (45,326)   | (20,217)   |
| Amortization of actuarial (gains) losses                | 7,802      | (1,387)    |
| Accrued employee future benefits liability, end of year | \$ 277,164 | \$ 252,918 |

The accrued liability includes the following components:

|                                      | 2026       | 2025       |
|--------------------------------------|------------|------------|
| Accrued benefit obligations          | \$ 353,494 | \$ 371,556 |
| Unamortized actuarial gains (losses) | (76,330)   | (118,638)  |
|                                      | \$ 277,164 | \$ 252,918 |

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

|                                                                                       |                                |
|---------------------------------------------------------------------------------------|--------------------------------|
| Discount rate                                                                         | 3.80% (2025 - 3.80%) per annum |
| Discount rate to determine accrued benefit obligation for disclosure at end of period | 4.20% (2025 - 3.80%) per annum |

## 14. 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.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2026

## 14. Asset retirement obligations (continued):

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

|                                           | 2026       | 2025       |
|-------------------------------------------|------------|------------|
| Balance, beginning of year                | \$ 223,690 | \$ 218,000 |
| Add: Inflationary adjustment              | 9,373      | 5,690      |
| Less: obligations settled during the year | —          | —          |
| Balance, end of year                      | \$ 233,063 | \$ 223,690 |

## 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, 2026 is \$Nil (2025 - \$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 changes to the risk exposures from 2025.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Schedule 1 - Financial Summary

Year ended March 31, 2026

|                                                       | Fund Type 2                       |                        |                     |                       | Fund Type 3              |                         | 2026          | 2025          |
|-------------------------------------------------------|-----------------------------------|------------------------|---------------------|-----------------------|--------------------------|-------------------------|---------------|---------------|
|                                                       | Mental Health<br>Services Program | Addictions<br>Services | Problem<br>Gambling | Supportive<br>Housing | Other Client<br>Services | Other Agency<br>Housing | Total         | Total         |
| Revenue:                                              |                                   |                        |                     |                       |                          |                         |               |               |
| OHE funding                                           | \$ 16,192,351                     | \$ 5,532,721           | \$ 314,810          | \$ -                  | \$ -                     | \$ -                    | \$ 22,039,882 | \$ 22,098,680 |
| OHE one time funding                                  | 120,172                           | -                      | -                   | -                     | -                        | -                       | 120,172       | 400,347       |
| MOH funding                                           | -                                 | -                      | -                   | 1,174,365             | -                        | 267,702                 | 1,442,067     | 1,371,057     |
| MOH one time funding                                  | -                                 | -                      | -                   | -                     | 21,864                   | -                       | 21,864        | 18,666        |
|                                                       | 16,312,523                        | 5,532,721              | 314,810             | 1,174,365             | 21,864                   | 267,702                 | 23,623,985    | 23,888,750    |
| Rental revenue                                        | -                                 | 76,296                 | -                   | 199,809               | -                        | 769,981                 | 1,046,086     | 1,037,643     |
| Recoveries                                            | 2,381                             | -                      | -                   | -                     | -                        | -                       | 2,381         | 10,268        |
| Interest                                              | 165,609                           | 381                    | 95                  | 29,267                | 2,224                    | 79,672                  | 277,248       | 338,703       |
| Other                                                 | 106,203                           | 206,036                | -                   | 12,574                | 2,991,884                | 4,838                   | 3,321,535     | 3,230,566     |
|                                                       | 274,193                           | 282,713                | 95                  | 241,650               | 2,994,108                | 854,491                 | 4,647,250     | 4,617,180     |
| Total revenue                                         | 16,586,716                        | 5,815,434              | 314,905             | 1,416,015             | 3,015,972                | 1,122,193               | 28,271,235    | 28,505,930    |
| Expenses:                                             |                                   |                        |                     |                       |                          |                         |               |               |
| Salaries and wages                                    | 10,877,586                        | 3,515,096              | 223,384             | 183,878               | 1,536,364                | 110,894                 | 16,447,202    | 15,828,658    |
| Employee benefits                                     | 2,381,268                         | 769,329                | 53,606              | 39,688                | 329,920                  | 24,908                  | 3,598,719     | 3,517,549     |
| Purchased and contracted out services                 | 1,371,175                         | 21,645                 | 4,622               | 1,152                 | 296,660                  | 2,215                   | 1,697,469     | 3,176,440     |
| Staff education and travel                            | 229,021                           | 30,104                 | 738                 | 4,514                 | 10,614                   | 6,267                   | 281,258       | 231,191       |
| Other supplies and services                           | 1,052,313                         | 667,790                | 19,238              | 73,476                | 530,775                  | 144,754                 | 2,488,346     | 2,576,892     |
| Occupancy costs and repairs                           | 616,195                           | 351,519                | 7,352               | 768,300               | 115,212                  | 492,483                 | 2,351,061     | 2,230,955     |
| Total expenses                                        | 16,527,558                        | 5,355,483              | 308,940             | 1,071,008             | 2,819,545                | 781,521                 | 26,864,055    | 27,561,685    |
| Excess of revenue over expenses before the undernoted | 59,158                            | 459,951                | 5,965               | 345,007               | 196,427                  | 340,672                 | 1,407,180     | 944,245       |
| Subsidy repayable                                     | (59,158)                          | (459,951)              | (5,965)             | (166,714)             | (198,744)                | -                       | (890,532)     | (433,090)     |
| Subsidy repayable prior year adjustments              | -                                 | -                      | -                   | 249,430               | -                        | -                       | 249,430       | -             |
| Asset retirement obligation                           | (9,373)                           | -                      | -                   | -                     | -                        | -                       | (9,373)       | (5,690)       |
| Amortization of deferred capital contributions        | 264,520                           | -                      | -                   | 1,826                 | -                        | 377,729                 | 644,075       | 584,202       |
| Amortization of capital assets                        | (284,559)                         | (1,525)                | (381)               | (21,095)              | -                        | (627,799)               | (935,359)     | (892,750)     |
| Excess (deficiency) of revenue over expenses          | \$ (29,412)                       | \$ (1,525)             | \$ (381)            | \$ 408,454            | \$ (2,317)               | \$ 90,602               | \$ 465,421    | \$ 196,917    |