# GRAND RIVER COMMUNITY HEALTH CENTRE

## FINANCIAL STATEMENTS

**For the year ended March 31, 2020**

Millards
Chartered Professional Accountants

# GRAND RIVER COMMUNITY HEALTH CENTRE

**For the year ended March 31, 2020**

**INDEX**

Millards
Chartered Professional Accountants

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# INDEPENDENT AUDITORS' REPORT

To the Directors of
**Grand River Community Health Centre**

**Opinion**
We have audited the financial statements of Grand River Community Health Centre (the 'Entity'), which comprise the statement of financial position as at March 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

**Other Matter**
The financial statements of the Entity for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 20, 2019.

**Other Information**
Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation of these 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.



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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 may identify during our audit.

Millard, Rouse & Rosebrugh LLP

June 10, 2020
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

# GRAND RIVER COMMUNITY HEALTH CENTRE

## STATEMENT OF FINANCIAL POSITION

| As at March 31 | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and bank (Notes 3 and 9) | 3,128,265 | 2,316,712 |
| Accounts receivable | 180,669 | 268,624 |
| Prepaid expenses | 56,057 | 79,074 |
| | 3,364,991 | 2,664,410 |
| **Capital Assets** (Note 4) | 1,775,782 | 2,065,553 |
| | 5,140,773 | 4,729,963 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | 827,694 | 847,357 |
| Surplus payable to MOHLTC | 115,389 | 68,603 |
| Funding payable to MOHLTC for capital projects (Note 8) | 1,906 | 1,906 |
| Deferred revenue and donations | 308,047 | 152,042 |
| Funds held for disbursement (Note 9) | 2,091,329 | 1,577,252 |
| | 3,344,365 | 2,647,160 |
| **Deferred Contributions Related to Capital Assets** (Note 5) | 1,775,782 | 2,065,553 |
| | 5,120,147 | 4,712,713 |
| **Net Assets** | 20,626 | 17,250 |
| | 5,140,773 | 4,729,963 |

Approved on behalf of the Board:

_______________ Director

_______________ Executive Director

*See accompanying notes*

# GRAND RIVER COMMUNITY HEALTH CENTRE

## STATEMENT OF CHANGES IN NET ASSETS

| For the year ended March 31 | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | 17,250 | 6,159 |
| Excess of revenues over expenses | 3,376 | 11,091 |
| Balance, end of year | 20,626 | 17,250 |

*See accompanying notes*

# GRAND RIVER COMMUNITY HEALTH CENTRE

## STATEMENT OF OPERATIONS

| For the year ended March 31 | 2020 | 2019 |
|---|---|---|
| **Revenues** | | |
| Grant - Local Health Integration Network | 4,803,951 | 4,467,971 |
| Less: grant allocated to deferred contributions (Note 5) | (40,810) | (37,415) |
| MOHLTC - TPA fee income (Note 9) | 74,448 | 74,446 |
| Funded projects and community initiatives | 99,295 | 165,613 |
| Donations and other income | 122,547 | 44,279 |
| Recognition of deferred capital contributions (Note 5) | 330,581 | 337,775 |
| | 5,390,012 | 5,052,669 |
| **Expenses** | | |
| Salaries and wages | 2,165,851 | 2,001,822 |
| Employee benefits | 456,980 | 393,597 |
| Medical staff remuneration | 1,035,012 | 937,421 |
| Medical and surgical supplies | 32,929 | 21,440 |
| Other supplies | 95,149 | 112,911 |
| Contracted services | 282,926 | 259,689 |
| Other | 506,011 | 461,150 |
| Rent | 221,786 | 268,369 |
| Funded projects and community initiatives | 96,722 | 165,613 |
| Associated expenses | 121,743 | 33,188 |
| Amortization | 330,581 | 337,775 |
| | 5,345,690 | 4,992,975 |
| **Excess of revenues over expenses before the undernoted** | 44,322 | 59,694 |
| Surplus repayable to MOHLTC | 40,946 | 48,603 |
| **Excess of Revenues over Expenses** | 3,376 | 11,091 |

*See accompanying notes*

# GRAND RIVER COMMUNITY HEALTH CENTRE

## STATEMENT OF CASH FLOWS

| For the year ended March 31 | 2020 | 2019 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Excess of revenues over expenses | 3,376 | 11,091 |
| Charges (credits) to income not involving cash | | |
| Amortization | 330,581 | 337,775 |
| Deferred contributions relating to capital assets | (330,581) | (337,775) |
| Increase in deferred lease liability | 7,464 | 67,827 |
| | 10,840 | 78,918 |
| Net change in non-cash working capital balances related to operations (Note 11) | 800,713 | 255,237 |
| | 811,553 | 334,155 |
| **Cash Flows From Investing Activities** | | |
| Purchase of capital assets | (40,810) | (45,882) |
| Deferred contributions - LHIN funded capital assets | 40,810 | 37,415 |
| Deferred contributions - other | - | 8,467 |
| | - | - |
| **Net Increase in Cash and Bank** | 811,553 | 334,155 |
| **Opening Cash and Bank** | 2,316,712 | 1,982,557 |
| **Closing Cash and Bank** | 3,128,265 | 2,316,712 |

## 1. NATURE AND PURPOSE OF THE ORGANIZATION

Grand River Community Health Centre (the Organization) is incorporated without share capital under the laws of the Province of Ontario. The Organization is a not-for-profit organization and, as such, no income taxes are applicable. The Organization provides primary health care, health promotion, and illness prevention for Brantford and Brant County.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) inclusive of PS 4200 through 4270, which apply only to government not-for-profit organizations.

### (a) Revenue Recognition

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

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting year are accrued. Where a portion of grants relates to a future year, it is deferred and recognized in that subsequent year. Where a portion of a grant is repayable as a result of not meeting performance measurements, best estimates of the repayment amount are made and accrued at year-end.

Contributions restricted for the purchase of property and equipment are deferred and amortized to revenue over the same year as the related asset is amortized to expense.

### (b) Capital Assets

Purchased capital assets are stated at cost. Amortization is provided for in the accounts as follows:

| | |
|---|---|
| Leasehold improvements | 13 years straight line |
| Computer software | 3 - 5 years straight line |
| Computer equipment | 3 - 5 years straight line |
| Major equipment | 4 - 20 years straight line |
| Building service equipment | 5 - 10 years straight line |

### (c) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial Instruments

The Organization initially measures its financial instruments at fair value. The Organization subsequently measures all its financial instruments at amortized cost, unless management has elected to carry the instruments at fair value.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities and surplus payable to the Ministry of Health and Long-Term Care (MOHLTC).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

## 3. CASH AND BANK

The Organization's bank account is held at one chartered bank and earns interest at a nominal rate.

## 4. CAPITAL ASSETS

| CAPITAL ASSETS | Cost | Accumulated Amortization | 2020 | 2019 |
|---|---|---|---|---|
| Building service equipment | 252,410 | 105,990 | 146,420 | 170,989 |
| Leasehold improvements | 3,477,901 | 2,000,705 | 1,477,196 | 1,745,777 |
| Computer equipment and software | 230,865 | 154,087 | 76,778 | 75,497 |
| Major equipment | 278,437 | 203,049 | 75,388 | 73,290 |
| | 4,239,613 | 2,463,831 | 1,775,782 | 2,065,553 |

## 5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions relate to the unamortized portion of capital assets. The balance represents contributions received for capital assets that have been deferred and are being amortized and recognized as revenue at the same rate as the related capital assets are amortized. Changes in the deferred contributions balance for the year are as follows:

| | **2020** | **2019** |
|---|---|---|
| Balance, beginning of year | 2,065,553 | 2,357,446 |
| Add: allocation to deferred contributions - LHIN funding | 40,810 | 37,415 |
| Add: additions deferred contributions - other funds | - | 8,467 |
| Deduct: amortized portion of contributions | (330,581) | (337,775) |
| Balance, end of year | 1,775,782 | 2,065,553 |

## 6. LEASE COMMITMENT

The Organization is committed to the following future minimum lease payments, under terms of an operating lease for office premises, which will expire in April 2025.

| | | |
|---|---|---|
| Years ended March 31, | 2021 | 253,365 |
| | 2022 | 253,365 |
| | 2023 | 253,365 |
| | 2024 | 253,365 |
| | 2025 | 253,365 |
| | | 1,266,825 |

## 7. ECONOMIC DEPENDENCE

The Organization is primarily funded by the Local Health Integration Network (LHIN) and its ongoing existence is dependent upon continued funding by the agency.

## 8. CAPITAL PROJECTS

The Organization committed to the construction of a new facility (the project) with an estimated cost of $3,811,000. The Ministry of Health and Long-Term Care (MOHLTC) committed to provide a capital grant of up to $3,550,000 for the project. In the event the Organization does not expend all of the funding received, it will be returned to the MOHLTC. The construction of of the building was completed in a prior year for a total cost of $3,689,919 resulting in the following repayable to MOHLTC, which is outstanding at March 31, 2020 and 2019:

| | **2020** | **2019** |
|---|---|---|
| Cumulative cost for permanent site | 3,689,919 | 3,689,919 |
| Cumulative Non-MOHLTC funding for permanent site | 393,831 | 393,831 |
| Net cumulative permanent site costs | 3,296,088 | 3,296,088 |
| Cumulative MOHLTC funding advanced for permanent site | (3,297,994) | (3,297,994) |
| Funding advanced for capital projects | (1,906) | (1,906) |

## 9. FUNDS HELD FOR DISBURSEMENT

The Organization serves as a midwifery program transfer payment agency (TPA). The revenues and expenses of the midwifery practice groups are not reflected in these financial statements. Activity for the year consisted of:

| For the Year Ended March 31 | 2020 | 2019 |
|---|---|---|
| **Ontario Midwifery Program - Revenues** | | |
| MOHLTC - Midwifery Program payments | 12,858,084 | 12,131,212 |
| Interest income | 48,539 | 20,142 |
| | **12,906,623** | **12,151,354** |
| **Midwifery Program Expenses** | | |
| Fees | | |
| Base fees | 5,937,533 | 6,367,919 |
| New registrant fees | 650,000 | 570,838 |
| | **6,587,533** | **6,938,757** |
| Caseload Variables | | |
| Base CV fees | 265,714 | - |
| | **265,714** | **-** |
| Disbursements | | |
| Base travel | 197,820 | 197,220 |
| Second attendant | 18,000 | - |
| Base liability insurance | 1,802,811 | 1,706,890 |
| Clinical equipment for midwives | 45,906 | 42,173 |
| Home birth kit | 31,941 | 36,855 |
| Base benefits | 956,143 | 987,287 |
| | **3,052,621** | **2,970,425** |
| New registrant travel | 23,620 | 19,880 |
| New registrant liability insurance | 475,544 | 344,261 |
| New registrant other | 94,629 | 83,068 |
| | **593,793** | **447,209** |
| Clinical equipment for practice group | 45,906 | 42,172 |
| Administrative support | 20,000 | 20,000 |
| Second attendant supplement | - | 18,000 |
| | **65,906** | **80,172** |
| Other | | |
| Office equipment | 1,000 | 48,411 |
| Special request office equipment | 1,000 | 8,000 |
| IT equipment replacement | - | 19,454 |
| IT software | 23,891 | - |
| Midwifery services for physician clients | - | 1,859 |
| One-time accommodation special funding | - | 3,200 |
| Leasehold improvements | 40,000 | 6,328 |
| TPA support for uninsured clients | 53,141 | 60,788 |
| TPA operations fee | 74,446 | 74,446 |
| New registrant equipment | 53,894 | - |
| Other Applicable Expenses | 2,336 | 38,549 |
| | **249,708** | **261,035** |
| **Total Midwifery Expenses** | **10,815,275** | **10,697,598** |
| **Excess of Revenues over Expenses** | **2,091,348** | **1,453,756** |

### 9. FUNDS HELD FOR DISBURSEMENT (Continued)

| For the Year Ended March 31 | 2020 | 2019 |
|---|---|---|
| Accumulated surplus - Beginning of Year | 1,577,252 | 419,078 |
| Less: Amounts paid to MOHLTC | (1,577,271) | (295,582) |
| Add: Excess of revenues over expenses | 2,091,348 | 1,453,756 |
| **Funds held for disbursement** | **2,091,329** | **1,577,252** |

The excess of revenues over expenses will be advanced to the midwifery practice groups in the subsequent fiscal year. If all of the funds are not advanced, they will be returned to the MOHLTC.

### 10. EMPLOYEE FUTURE BENEFITS

Substantially all of the full-time employees of the Organization are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer average of the best five years' pay contributory pension plan, and employees are entitled to certain post-employment benefits. HOOPP is a defined benefit pension plan; however, as the Organization has insufficient information to apply defined benefit plan accounting, it is accounted for as a defined contribution plan, whereby contributions are expensed when due.

Contributions made during the year to HOOPP by the Organization amounted to $218,056 (2019 - $168,186). These amounts are included in employee benefits expense in the statement of operations.

### 11. CASH FLOW FROM OPERATIONS

| | 2020 | 2019 |
|---|---|---|
| Accounts receivable | 87,955 | (89,293) |
| Prepaid expenses | 23,017 | (46,544) |
| Accounts payable and accrued liabilities | (27,127) | (807,695) |
| Surplus payable to MOHLTC | 46,786 | 68,603 |
| Deferred revenue and donations | 156,005 | (28,008) |
| Funds held for disbursement | 514,077 | 1,158,174 |
| | 800,713 | 255,237 |

## 12. FINANCIAL INSTRUMENTS

The Organization has identified the following financial risks:

**Credit Risk**
The Organization's exposure to credit risk relates to its accounts receivable. The risk of significant credit loss is considered remote as the receivables are mainly derived and outstanding from government agencies.

**Liquidity Risk**
Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

## 13. COVID-19 PANDEMIC

Prior to and subsequent to year end, the Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impacts of this unprecedented situation.

The impacts to expenses and revenues will carry over to fiscal 2021 and it is not possible to determine the ultimate financial impact to the Organization at this time.