

**HOPEGREYBRUCE MENTAL HEALTH
AND ADDICTIONS SERVICES**

FINANCIAL STATEMENTS

MARCH 31, 2017

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the **HopeGreyBruce Mental Health and Addictions Services**:

Report on the Financial Statements

We have audited the accompanying financial statements of **HopeGreyBruce Mental Health and Addictions Services**, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in fund balances and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **HopeGreyBruce Mental Health and Addictions Services** as at March 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow SGB LLP

COLLINS BARROW SGB LLP
LICENSED PUBLIC ACCOUNTANTS
Owen Sound, Ontario
June 21, 2017

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2017	2016
	\$	\$
ASSETS		
CURRENT:		
Cash - Operating	1,971,751	2,037,545
Cash - Capital Reserve	241,163	260,067
Accounts Receivable	89,407	100,243
Prepaid Expenses	80,122	78,175
	2,382,443	2,476,030
PROPERTY AND EQUIPMENT (Note 2)	939,317	1,092,337
	3,321,760	3,568,367
LIABILITIES		
CURRENT:		
Accounts Payable and Accrued Liabilities	432,793	614,965
Government Remittances Payable	8,038	19,256
Deferred Revenue	491,746	517,061
Due to Ministry of Health and Long-Term Care - Non-Shelter (Note 8)	426,676	325,427
Due to Ministry of Health and Long-Term Care - Shelter (Note 8)	36,145	31,185
Current Portion of Mortgages	263,740	69,784
	1,659,138	1,577,678
DEFERRED CONTRIBUTIONS (Note 3)	374,864	458,099
MORTGAGES PAYABLE (Note 4)	300,713	564,454
	2,334,715	2,600,231
FUND BALANCES		
CAPITAL RESERVE FUND (Note 6)	241,162	260,066
OPERATING RESERVE FUND (Note 6)	669,912	636,172
DONATIONS AND PUBLICATION RESERVE FUND (Note 7)	75,971	71,898
	987,045	968,136
	3,321,760	3,568,367

ON BEHALF OF THE BOARD

Kristal Miksa Director

Janis Moore Director

(See Accompanying Notes to Financial Statements)

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31

	Unrestricted \$	Capital Reserve Fund \$	Operating Reserve Fund \$	Donations & Publication Reserve Fund \$	2017 \$	2016 \$
Fund Balance at Beginning of Year	-	260,066	636,172	71,898	968,136	907,546
Excess of Revenue over Expenditures	-	-	33,740	4,073	37,813	52,973
Current Year's Contributions	-	14,843	-	-	14,843	7,543
Current Year's Expenses	-	(35,490)	-	-	(35,490)	(1,815)
Interest Earned	-	1,743	-	-	1,743	1,889
Fund Balance at End of Year	-	241,162	669,912	75,971	987,045	968,136

(See Accompanying Notes to Financial Statements)

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	2017	2016
	\$	\$
REVENUE:		
Ministry of Health and Long-Term Care Via South West LHIN		
Operating Budget	6,348,911	6,251,248
Ministry of Health and Long-Term Care		
Operating Budget - Shelter and Rent Subsidy	481,701	444,685
Capital Reserve	14,843	7,543
Sessional Fee Supplement Funding	-	-
Grey County Funding for Crystal Meth and Other Drugs Task Force	38,416	10,443
Grey County Grant - Outreach Support	55,704	-
Bruce County Funding for Crystal Meth and Other Drugs Task Force	38,416	10,444
Shelter Rental Income - Tenants	543,311	541,580
Grey Bruce Health Services - Purchase of Services	61,438	61,350
Amortization of Deferred Contributions	83,235	69,866
Other Income	45,390	38,604
TOTAL REVENUE	7,711,365	7,435,763
 EXPENDITURES:		
SALARIES AND BENEFITS-		
Salaries	4,444,410	4,353,989
Benefits	828,994	822,564
	5,273,404	5,176,553
 SESSIONAL FEES		
	-	639
 SUPPLIES AND SUNDRY EXPENSES-		
Advertising and Promotion	14,091	23,163
Audit Fees	11,600	11,371
Bad Debt Expense	4,478	5,110
Board and Staff Education	90,414	55,486
Liability Insurance	19,906	19,264
Maintenance Supplies	7,461	7,840
Office and Computer Supplies	80,878	89,721
Professional Fees	122,045	98,224
Program and Craft Supplies	67,857	55,552
Telephone and Internet	65,773	63,385
Travel	125,049	126,638
Other Expenses	48,682	43,772
	658,234	599,526
 EQUIPMENT-		
Equipment Lease and Maintenance	11,153	18,800
Minor Equipment and Furniture Purchases	48,713	55,505
	59,866	74,305

(See Accompanying Notes to Financial Statements)

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
STATEMENT OF OPERATIONS (CONTINUED)
FOR THE YEAR ENDED MARCH 31

	2017	2016
	\$	\$
FACILITIES EXPENSES-		
Property Insurance	22,169	21,294
Maintenance Service	119,216	93,338
Mortgage Interest	13,062	14,611
Rent, Utilities and Taxes	313,279	308,028
Rent - Apartment Program	742,756	718,628
Minor Renovations	3,904	-
	<u>1,214,386</u>	<u>1,155,899</u>
AMORTIZATION	<u>153,019</u>	138,114
TRANSFER TO CAPITAL RESERVE	<u>14,843</u>	7,543
TOTAL EXPENDITURES	<u>7,373,752</u>	<u>7,152,579</u>
UNEXPENDED FUNDS FOR THE YEAR	337,613	283,184
RECOVERED IN YEAR BY MINISTRY OF HEALTH AND LONG-TERM CARE	(67,190)	-
DUE TO MINISTRY OF HEALTH AND LONG-TERM CARE	<u>(232,610)</u>	<u>(230,211)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>37,813</u>	<u>52,973</u>

(See Accompanying Notes to Financial Statements)

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31

	2017	2016
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Excess of Revenue over Expenditures	37,813	52,973
Charges not involving cash		
Amortization of Property and Equipment	153,019	138,114
Amortization of Deferred Contributions	<u>(83,235)</u>	<u>(69,866)</u>
	107,597	121,221
Change In:		
Accounts Receivable	10,836	11,163
Prepaid Expenses	(1,947)	(13,391)
Accounts Payable and Accrued Liabilities	(182,171)	174,177
Government Remittance Payable	(11,218)	5,855
Deferred Revenue	(25,315)	39,473
Due to Ministry of Health and Long-Term Care	<u>106,209</u>	<u>138,126</u>
	<u>3,991</u>	<u>476,624</u>
FINANCING AND INVESTING ACTIVITIES:		
Purchase of Property and Equipment	-	(97,968)
Deferred Contributions Related to Property and Equipment	-	97,968
Net Contribution to Capital Reserve Fund	(18,904)	7,617
Principal Payment on Mortgages	<u>(69,785)</u>	<u>(68,246)</u>
	<u>(88,689)</u>	<u>(60,629)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	(84,698)	415,995
CASH AT BEGINNING OF YEAR	<u>2,297,612</u>	<u>1,881,617</u>
CASH AT END OF YEAR	<u><u>2,212,914</u></u>	<u><u>2,297,612</u></u>
CASH CONSISTS OF:		
Cash - Operating	1,971,751	2,037,545
Cash - Capital Reserve	<u>241,163</u>	<u>260,067</u>
	<u><u>2,212,914</u></u>	<u><u>2,297,612</u></u>

(See Accompanying Notes to Financial Statements)

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

PURPOSE OF ORGANIZATION

The mission of HopeGreyBruce Mental Health and Addictions Services is healthier individuals, families and communities in Grey-Bruce through the provision of mental health and addiction services that are comprehensive, accessible, effective and client-centred. It was established in 1985 to develop a number of community mental health and addiction programs across Grey-Bruce. The Organization currently operates 2 addiction programs and 8 community mental health programs. It also host two multi-agency community mental health teams. HopeGreyBruce serves as the host and co-chair of the Grey Bruce Task Force on Crystal Meth and Other Drugs and administers funding revenue it receives on behalf of the Task Force. The Organization's major funders are the South West Local Health Integration Network and the Ontario Ministry of Health and Long-Term Care. HopeGreyBruce is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

Grey Bruce Community Health Corporation was constituted on August 12, 1985 by letters patent granted under the Corporations Act of the Province of Ontario as a corporation without share capital.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies applied in accordance with these standards are as follows:

(A) FUND ACCOUNTING

The externally restricted funds relate to segregated funding from the housing program of the Ministry of Health and Long-Term Care Housing to be used for capital and maintenance items.

The Donation and Publication Reserve Fund includes the unexpended donations and publications income, which are not subject to recovery.

(B) REVENUE RECOGNITION

HopeGreyBruce Mental Health and Addictions Services uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions and donations are recognized as revenue of the appropriate fund, when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. 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 asset. Tenant rental, purchased services and other revenue is recognized on an accrual basis as it is earned and when collectability is reasonably assured.

(C) PROPERTY AND EQUIPMENT

Purchased property and equipment assets are recorded at cost. Contributed property and equipment assets are recorded at fair value at the date of the contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, using the following rates:

Buildings	25 years
Equipment	3 - 5 years
Leaschold Improvements	5 years

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(E) FINANCIAL INSTRUMENTS

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include, bank and accounts receivable. Financial liabilities measured at amortized cost include, accounts payable, amounts due to the MOHLTC and mortgages payable.

(F) RECOVERIES

The recovery of operating costs from the Ministry of Health and Long-Term Care is as follows:

The Organization is reimbursed for the total of its allowable operating costs after exclusion of specified revenues and expenses, including expenses not financed by the Ministry.

Management of the Organization considers that the amounts shown as unexpended funds represent the full amount payable to the Ministry. However, the final total to be recovered for the current fiscal year will not be determined until the Ministry has reviewed the Organization's financial and statistical returns. If the Ministry determines that any of the costs incurred during the year are non-allowable, a corresponding adjustment would be made in the amount to be recovered during the following year.

(G) ALLOCATION OF EXPENSES

The Organization reports costs for its operations by program. Costs that can be identified to a specific program are allocated directly to that program. Shared program costs are allocated to programs based on management's estimate of the time, usage, or space that best reflects actual utilization of the cost.

(H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash deposited in Canadian bank accounts.

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

2. PROPERTY AND EQUIPMENT AND ACCUMULATED AMORTIZATION

	Non-Shelter \$	Shelter \$	Total 2017 \$	Total 2016 \$
COST-				
Land	42,000	280,000	322,000	322,000
Building	185,551	1,299,345	1,484,896	1,484,897
Equipment	227,191	-	227,191	307,184
Leasehold Improvements	115,999	-	115,999	121,198
	<u>570,741</u>	<u>1,579,345</u>	<u>2,150,086</u>	<u>2,235,279</u>
ACCUMULATED AMORTIZATION-				
Building	77,436	910,856	988,292	903,911
Equipment	115,793	-	115,793	150,348
Leasehold Improvements	106,684	-	106,684	88,683
	<u>299,913</u>	<u>910,856</u>	<u>1,210,769</u>	<u>1,142,942</u>
	<u>270,828</u>	<u>668,489</u>	<u>939,317</u>	<u>1,092,337</u>

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unamortized amount of contributions received for the purchase of property, equipment and leasehold improvements. The amortization of contributions is recorded as revenue in the statement of operation. The changes for the year in the deferred contributions balance are as follows:

	2017 \$	2016 \$
Non-Shelter Services:		
Balance at Beginning of Year	346,886	311,607
Contributions for Equipment	-	97,968
Amounts Amortized to Revenue	<u>(76,060)</u>	<u>(62,689)</u>
Balance at End of Year	<u>270,826</u>	<u>346,886</u>
Shelter Services:		
Balance at Beginning of Year	111,213	118,388
Amounts Amortized to Revenue	<u>(7,175)</u>	<u>(7,175)</u>
Balance at End of Year	<u>104,038</u>	<u>111,213</u>
TOTAL	<u>374,864</u>	<u>458,099</u>

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

4. MORTGAGES PAYABLE

	2017	2016
	\$	\$
2.164% first mortgage, payable to Scotiabank, secured by land, buildings, a chattel mortgage on equipment and the assignment of rents of the Riverview Apartments, due November 1, 2019. Principal and interest payable in monthly instalments of \$2,414	208,590	232,776
2.180% first mortgage, payable to the Peoples Trust, secured by land, buildings and a chattel mortgage on equipment of Brooke House, due September 1, 2019. Principal and interest payable in monthly instalments of \$1,880	136,620	155,981
2.245% first mortgage, payable to TD Canada Trust, secured by land, buildings and a chattel mortgage on equipment of Frank Street, due October 1, 2017. Principal and interest payable in monthly instalments of \$2,621	219,243	245,481
	<u>564,453</u>	<u>634,238</u>
Less - Current Portion	<u>(263,740)</u>	<u>(69,784)</u>
	<u>300,713</u>	<u>564,454</u>

Total debt servicing requirements for the above mortgages are provided through operating grants from the Ministry of Health and Long-Term Care. It is the Organization's intention to refinance any outstanding debt as it matures. The following is a schedule of principal payments due within each of the next three years.

2018	\$	263,740
2019		45,469
2020		255,244

5. LEASE COMMITMENTS

The Organization is obligated to make the following annual lease payments:

	Office Space	Apartment Program	Total
2018	\$ 147,572	\$ 642,438	\$ 790,010
2019	98,458	62,283	160,741
2020	64,532	-	64,532

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

6. CAPITAL RESERVE AND OPERATING RESERVE

The Capital Reserve is funded by the capital reserve allowance provided by the Ministry of Health and Long-Term Care. The allowance is deposited into a separate interest bearing bank account. The allowance and interest earned are used to fund specific eligible capital expenditures as permitted by the Ministry.

The Operating Reserve is funded by retained surplus related to operating costs savings in the Brooke House, Riverview Apartments and Frank Street Group Home Programs. The final total to be retained will not be determined until the Ministry has reviewed the Organization's Annual Information Return for the year. The Organization may retain and use, with Ministry approval, any excess of revenues over expenditures to increase the Operating Reserve Fund.

7. PUBLICATION RESERVE AND DONATION RESERVE

The Organization has, with Ministry approval, retained revenue generated prior to 1992 from the sale of publications. These retained funds and associated interest are maintained in a separate interest bearing reserve bank account.

In 2003, the Organization established a separate interest bearing reserve bank account for donations it receives. Ministry of Health and Long-Term Care policy permits retention of the donations and associated interest by the Organization.

8. DUE TO MINISTRIES

The amounts owing to Ministries are comprised of the following surpluses not yet recovered:

	2017	2016
	\$	\$
Due to Ministry of Health and Long-Term Care-Non-Shelter Services:		
March 31, 2015	-	107,690
March 31, 2016	217,737	217,737
March 31, 2017	208,939	-
	426,676	325,427
Due to Ministry of Health and Long-Term Care-Shelter Services:		
March 31, 2015	-	18,711
March 31, 2016	12,474	12,474
March 31, 2017	23,671	-
	36,145	31,185

HOPEGREYBRUCE MENTAL HEALTH AND ADDICTIONS SERVICES
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

9. FINANCIAL INSTRUMENTS

The Organization's exposure to risks from financial instruments is described as follows:

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk in connection with the collection of its accounts receivable. The Organization does not anticipate significant loss for non-collection.

Liquidity Risk is the risk that the Organization may not be able to meet its obligations. The Organization has a comprehensive plan in place to meet its obligations as they come due - primarily from cash flow from operations.

Interest Rate Risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its long term debt. Specifically, the Organization is exposed to fair value risk due to changes in market rates of interest.