

Financial Statements of

**QUEST COMMUNITY
HEALTH CENTRE**

Year ended March 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Quest Community Health Centre

Opinion

We have audited the financial statements of Quest Community Health Centre (the Centre), which comprise:

- the statement of financial position as at end of March 31, 2019
- the statement of operations 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 Centre as at end of March 31, 2019, 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 the Financial Statements” section of our auditors’ report.

We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 – Comparative Information

The financial statements for the year ended March 31, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 28, 2018.



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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- 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 Centre'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 Centre'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 Centre 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

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QUEST COMMUNITY HEALTH CENTRE

Financial Statements

Year ended March 31, 2019

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QUEST COMMUNITY HEALTH CENTRE

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 702,121	\$ 1,136,147
Accounts receivable	33,358	7,160
HST recoverable	78,120	60,130
Prepaid expenses	51,661	79,207
	<u>865,260</u>	<u>1,282,644</u>
Restricted assets (note 6)		
Cash – capital monies for assets under construction	1,349,669	1,330,861
Capital asset – (note 2)	465,939	438,473
	<u>\$ 2,680,868</u>	<u>\$ 3,051,978</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 78,946	\$ 113,246
Due to Local Health Integration Network (“LHIN”) and Ministry of Health and Long-Term Care (“MOHLTC”) (note 4)	717,127	1,055,707
Deferred revenue (note 5)	69,187	113,691
	<u>865,260</u>	<u>1,282,644</u>
Deferred capital monies for assets under construction (note 6)	1,349,669	1,330,861
Deferred capital contributions (note 7)	465,939	438,473
	<u>1,815,608</u>	<u>1,769,334</u>
Net assets	-	-
Commitments (note 8)		
	<u>\$ 2,680,868</u>	<u>\$ 3,051,978</u>

See accompanying notes to financial statements.

On behalf of the Board

Chair

Director

QUEST COMMUNITY HEALTH CENTRE

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	Community Health Centre Programs	Dental Operatories	Community Funded Projects	2019	2018
Revenue:					
LHIN / MOHLTC	\$ 4,227,591	\$ -	\$ -	\$ 4,227,591	\$ 4,138,791
Amortization of deferred contributions	66,557	7,987	-	74,544	76,543
Niagara Prosperity Initiative	-	-	54,455	54,455	-
Fowler Family Foundation	-	44,042	-	44,042	10,224
Registered Nurses' Association Ontario	-	-	35,000	35,000	-
Green Shield	-	10,654	-	10,654	31,808
Queeston Pharma Star rental income	6,752	-	-	6,752	-
ODSP/Ontario Works/other revenue	-	5,388	-	5,388	6,557
Niagara Community Foundation	-	-	2,000	2,000	-
Province of Ontario	-	-	1,526	1,526	-
Aboriginal Health Access Centre rental income	1,128	-	-	1,128	-
Utilized for capitalized items	(102,010)	-	-	(102,010)	(22,425)
	4,200,018	68,071	92,981	4,361,070	4,241,498
Expenditures:					
Salaries and benefits	2,381,334	52,083	47,543	2,480,960	2,284,187
Physicians services	664,408	-	-	664,408	532,796
IT expenses and support	192,413	2,027	1,948	196,388	63,332
Occupancy expense	180,179	-	-	180,179	180,931
Purchased services	117,987	4,336	35,168	157,491	172,387
Program supplies and services	71,490	825	4,269	76,584	41,326
Amortization of capital assets	66,557	7,987	-	74,544	76,543
Operations and maintenance	68,133	688	-	68,821	32,086
Advertising and promotion	54,927	-	3,371	58,298	24,411
Staff and board development	56,444	-	-	56,444	48,402
Cleaning	50,530	-	-	50,530	47,192
Office supplies	25,541	-	118	25,659	47,481
Telephone	25,120	-	-	25,120	24,862
Dues and memberships	24,955	-	-	24,955	22,539
Organizational development	24,003	-	-	24,003	18,721
Travel expenses	22,962	75	547	23,584	23,784
Professional fees	15,774	-	-	15,774	15,192
Insurance	12,660	-	-	12,660	12,817
Meeting and forum expenses	8,791	50	17	8,858	5,771
Staff recruitment	7,276	-	-	7,276	3,482
Resource material	3,805	-	-	3,805	4,650
Interest and bank charges	3,040	-	-	3,040	3,083
Miscellaneous cost recovery	(19,797)	-	-	(19,797)	(16,875)
	4,058,532	68,071	92,981	4,219,584	3,669,100
Surplus before undernoted items	141,486	-	-	141,486	572,398
Other income:					
Gain on disposal of capital assets	3,243	-	-	3,243	-
Net repayable to funding sources	(144,729)	-	-	(144,729)	(572,398)
Surplus	\$ -	\$ -	\$ -	\$ -	-

See accompanying notes to financial statements.

QUEST COMMUNITY HEALTH CENTRE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Surplus	\$ -	\$ -
Items not affecting cash		
Amortization of deferred contributions	(74,544)	(76,543)
Amortization of capital assets	74,544	76,543
Changes in non-cash operating working capital:		
Accounts receivable	(26,198)	2,274
HST recoverable	(17,990)	(4,372)
Prepaid expenses	27,546	(54,969)
Accounts payable and accrued liabilities	(34,300)	13,416
Due to MOHLTC	(338,580)	397,921
Deferred revenue	(44,504)	(42,032)
Deferred capital monies for assets under construction	18,808	(17,423)
	(415,218)	294,815
Cash flows from investing activities:		
Acquisition of capital assets - operating monies	(111,767)	(22,425)
Acquisition of capital assets - capital monies	-	(31,898)
Deferred capital contributions	111,767	54,323
	-	-
(Decrease) increase in cash	(415,218)	294,815
Cash, beginning of year	2,467,008	2,172,193
Cash, end of year	\$ 2,051,790	\$ 2,467,008
Cash consists of:		
Cash	\$ 702,121	\$ 1,136,147
Cash – capital monies for assets under construction	1,349,669	1,330,861
Cash, end of year	\$ 2,051,790	\$ 2,467,008

See accompanying notes to financial statements.

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2019

The Quest Community Health Centre (the Centre) was incorporated on August 31, 2007 as a non-profit organization. The Centre provides a range of comprehensive primary care and health promotion programs and services to identified populations in the greater St. Catharines area. Quest CHC enhances client care and outcomes through the use of interprofessional teams working collaboratively with other service providers in the community such as hospitals, mental health, addictions, and other organizations focused on addressing the social determinants of health. The Centre is a registered charity and is exempt from income tax legislation.

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. In circumstances where grant monies relate to more than one fiscal period, unexpended monies are deferred and recognized in the year in which the related expenses are incurred.

(b) Capital assets:

Capital assets are recorded at cost. Depreciation is provided using the declining balance basis at the following annual rates:

Asset	Rate
Equipment	20%
Dental equipment	20%
Computer equipment	30%
Vehicle	30%

Contributed capital assets are recorded at fair value at the date of contribution. Assets are not depreciated until put into use.

(c) Contributed materials and services:

Contributed materials and services, which are used in the normal course of the Centre's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of the 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.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Health Centre has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Health Centre 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 Health Centre 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.

(f) Allocation of expenses:

The Centre records a number of its expenses by program. The costs of each program includes the costs of personnel, premises and other expenses that are directly related to providing the program.

The Centre allocates certain of its general support expenses by identifying the appropriate basis of allocating each expense. Administration and corporate governance are not allocated.

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Capital assets:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	\$ 415,952	\$ 269,415	\$ 146,537	\$ 173,818
Dental equipment	116,245	78,954	37,291	34,588
Computer equipment	193,550	105,977	87,573	56,825
Vehicle	36,533	5,480	31,053	9,757
Capital under construction	163,485	-	163,485	163,485
	\$ 925,765	\$ 459,826	\$ 465,939	\$ 438,473

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$16,727 (2018 - \$14,725), which includes amounts payable for payroll related taxes.

4. Due to Local Health Integration Network and Ministry of Health and Long-Term Care:

The Centre is funded by the Hamilton Niagara Haldimand Brant Local Health Integration Network and the Ministry of Health and Long-Term Care and the continuation of the Centre is dependent on this funding. Surplus funding, if any, is determined by management and is recorded as a liability at the end of the fiscal year. This amount is subject to review by the MOHLTC and adjustments, if any, arising there from are recognized in the period in which they become known.

During the fiscal year, the Ministry of Health and Long-Term Care conducted their year end settlement for the year ended March 31, 2017. As a result of the review a total amount of \$483,309 of the funding for the March 31, 2017 fiscal year was repayable to the MOHL TC.

	2019	2018
March 31, 2017	\$ -	\$ 483,309
March 31, 2018	572,398	572,398
March 31, 2019	144,729	-
Balance, end of year	\$ 717,127	\$ 1,055,707

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Deferred revenue:

These contributed monies are to be used exclusively in the operations of the Dental Operatory. The deferred monies will be recognized as revenue as the related expenditures are incurred.

	Green Shield	Fowler Family Foundation	Henry Schein	Donations	2019	2018
Balance, beginning of year	\$ 10,654	\$ 63,721	\$ 33,831	\$ 5,485	\$ 113,691	\$ 155,723
Received during the year	-	-	-	10,192	10,192	-
Realized as revenue during the year	(10,654)	(44,042)	-	-	(54,696)	(42,032)
Balance, end of year	\$ -	\$ 19,679	\$ 33,831	\$ 15,677	\$ 69,187	\$ 113,691

6. Deferred capital monies for assets under construction:

The Centre has been approved for a capital grant by the MOHL TC for an amount up to \$4,725,300. Of this approved amount \$1,417,590 was received from the MOHLTC on May 31, 2013. Interest revenue earned on the monies have been reflected as additions to this amount. During the year nil (2018-\$31,898) was expended (2017-\$9,774) and the total expenditures are \$163,485. These costs will not be amortized until the assets are put into use.

	2019	2018
Balance, beginning of year	\$ 1,330,861	\$ 1,348,284
Interest revenue	18,808	14,475
Expended for leasehold improvements – capital under construction	-	(31,898)
Balance, end of year	\$ 1,349,669	\$ 1,330,861

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent capital contributions received or receivable for the purchase of capital assets. The amortization of capital contributions is recorded as revenue on a basis that corresponds with the amortization of the related capital asset and is recorded as revenue in the statement of operations.

	MOHLTC	Dental operatories	2019	2018
Balance, beginning of year	\$ 403,884	\$ 34,589	\$ 438,473	\$ 460,693
Contributions during the year	102,010	-	102,010	22,425
Contributions during the year - capital construction	-	-	-	31,898
Amortization of deferred capital contributions	(66,557)	(7,987)	(74,544)	(76,543)
Balance, end of year	\$ 439,337	\$ 26,602	\$ 465,939	\$ 438,473

8. Commitments:

The Centre was committed to payments under an operating lease for its interim site of \$14,506 monthly plus HST and including a portion for CAM charges. This lease expired on September 30, 2018 and has not been renewed. The Centre maintains the same payments on a month by month basis.

9. Pension plan:

During the year, the Centre contributed to a defined contribution plan with Sun Life Financial on behalf of some of its employees. The amount contributed in the current year to the pension plan was \$24,400 (2018 - \$25,951) for current service and is included as an expenditure in the statement of operations.

During the year, the organization entered into an agreement with the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer defined benefit pension plan for some of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The pension plan contributions have been accounted for as a defined contribution plan because the information required to account for as a defined benefit plan is not readily available.

The amount contributed to HOOPP for the current year is \$171,913 (2018 - \$136,394) for current service and is included as an expenditure in the statement of operations.

QUEST COMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Financial risks:

(a) Liquidity risk:

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

There have been no significant change to the liquidity risk exposure from 2018.

(b) Credit risk:

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

There have been no significant change to the credit risk exposure from 2018.

QUEST COMMUNITY HEALTH CENTRE

Schedule 1 – Community Health Centre Programs

Year ended March 31, 2019

	Health Centre	USAT	MAW	2019	2018
Revenue:					
LHIN / MOHLTC	\$ 3,492,591	\$ 563,500	\$ 171,500	\$ 4,227,591	\$ 4,138,791
Amortization of deferred contributions	66,557	-	-	66,557	67,896
Queeston Pharma Star rental income	6,752	-	-	6,752	-
Aboriginal Health Access Centre rental income	1,128	-	-	1,128	-
Utilized for capitalized items	(88,896)	(13,114)	-	(102,010)	(22,425)
	3,478,132	550,386	171,500	4,200,018	4,184,262
Expenditures:					
Salaries and benefits	1,860,586	397,870	122,878	2,381,334	2,284,187
Physician services	664,408	-	-	664,408	532,796
IT expenses and support	136,017	54,213	2,183	192,413	60,723
Occupancy expense	133,151	37,236	9,792	180,179	180,931
Purchased Services	83,208	20,279	14,500	117,987	131,491
Program supplies and services	53,002	7,134	11,354	71,490	39,391
Operations and maintenance	65,657	724	1,752	68,133	29,146
Amortization of capital assets	66,557	-	-	66,557	67,896
Staff and board development	53,482	1,896	1,066	56,444	48,402
Advertising and promotion	54,927	-	-	54,927	24,411
Cleaning	39,742	8,544	2,244	50,530	47,192
Office supplies	20,674	4,552	315	25,541	47,481
Telephone	19,095	4,824	1,201	25,120	24,862
Dues and memberships	23,059	1,896	-	24,955	22,539
Organizational development	24,003	-	-	24,003	18,721
Travel expenses	12,297	7,414	3,251	22,962	23,575
Professional fees	15,774	-	-	15,774	15,192
Insurance	7,892	3,804	964	12,660	12,817
Meeting and forum expenses	8,791	-	-	8,791	5,771
Staff recruitment	7,276	-	-	7,276	3,482
Resource material	3,805	-	-	3,805	4,650
Interest and bank charges	3,040	-	-	3,040	3,083
Miscellaneous cost recovery	(19,797)	-	-	(19,797)	(16,875)
	3,336,646	550,386	171,500	4,058,532	3,611,864
Surplus before undernoted items	141,486	-	-	141,486	572,398
Other income:					
Gain on disposal of capital assets	3,243	-	-	3,243	-
Net repayable to funding sources					
	(144,729)	-	-	(144,729)	(572,398)
Surplus	\$ -	\$ -	\$ -	\$ -	\$ -

QUEST COMMUNITY HEALTH CENTRE

Schedule 2 – Dental Operatories Monies

Year ended March 31, 2019

	2019	2018
Revenue:		
Fowler Family Foundation	\$ 44,042	\$ 10,224
Green Shield	10,654	31,808
Amortization of deferred contributions	7,987	8,647
ODSP/Ontario Works/other revenue	5,388	6,557
	68,071	57,346
Expenditures:		
Salaries and benefits	52,083	-
Amortization of capital assets	7,987	8,647
Purchased services	4,336	40,896
IT expenses and support	2,027	2,609
Program supplies	825	1,935
Operations and maintenance	688	2,940
Travel expenses	75	209
Meeting and forum expenses	50	-
	68,071	57,236
Surplus	\$ -	\$ -

QUEST COMMUNITY HEALTH CENTRE

Schedule 3 – Community Funded Projects

Year ended March 31, 2019

	Volunteer Coordinator	Best Practice Spotlight Organization	Senior Pride Network Niagara	2019	2018
Revenue:					
Niagara Prosperity Initiative	\$ 54,455	\$ -	\$ -	\$ 54,455	\$ -
Registered Nurses' Association of Ontario	-	35,000	-	35,000	-
Niagara Community Foundation	-	-	2,000	2,000	-
Province of Ontario	-	-	1,526	1,526	-
	54,455	35,000	3,526	92,981	-
Expenditures:					
Salaries and benefits	42,621	4,922	-	47,543	-
Purchased services	5,090	30,078	-	35,168	-
IT expenses and support	1,948	-	-	1,948	-
Program supplies and services	760	-	3,526	4,286	-
Advertising and promotion	3,371	-	-	3,371	-
Travel expenses	547	-	-	547	-
Office supplies	118	-	-	118	-
	54,455	35,000	3,526	92,981	-
Surplus	\$ -	\$ -	\$ -	\$ -	\$ -