

Addiction Services Central Ontario
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the Board of Directors of Addiction Services Central Ontario

Opinion

We have audited the financial statements of Addiction Services Central Ontario (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets 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 Organization as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 report. We are independent of the Organization 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 these financial statements.

Independent Auditor's Report (continued)

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 Organization'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 Organization'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 Organization 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 identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
June 28, 2022

Addiction Services Central Ontario Statement of Financial Position

March 31	2022	2021
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Assets

Current

Cash (Note 2)	\$ 1,959,573	\$ 1,614,823
Short-term investments (Note 3)	114,463	400,001
Accounts receivable	210,892	108,348
HST receivable	109,890	140,344
Prepaid expenses	53,921	201,557
	2,448,739	2,465,073

Long-term investments (Note 3)

	401,367	37,555
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Capital assets (Note 4)

	90,251	119,031
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	\$ 2,940,357	\$ 2,621,659
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 2,174,047	\$ 1,443,918
Deferred revenue (Note 10)	37,852	95,492
	2,211,899	1,539,410

Deferred capital contributions (Note 7)

	102,022	459,792
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Deferred rent

	133,770	149,023
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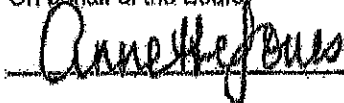
	2,447,691	2,148,225
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Net Assets

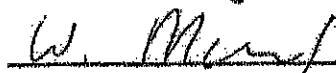
Unrestricted	2,666	3,434
Internally restricted (Note 6)	490,000	470,000
	492,666	473,434

	\$ 2,940,357	\$ 2,621,659
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On behalf of the Board:



Director Annette Jones



Director Wanda Mulrhead

The accompanying notes are an integral part of these financial statements.

Addiction Services Central Ontario Statement of Operations

For the year ended March 31	2022	2021
Revenue		
Ontario Health (Note 13)	\$ 8,902,755	\$ 8,754,481
Other funded programs (Note 8)	514,998	509,394
Ontario Health- Pandemic Funding (Note 14)	-	134,570
Community Withdrawal Management Services Funding (Note 9)	128,033	128,033
Grants, donations and other income	475,401	102,352
Fee for service	116,717	78,347
Ministry of Health	63,564	60,564
Amortization of deferred capital contributions (Note 7)	26,936	30,888
Interest income	7,702	13,386
	10,236,106	9,812,015
Expenditures		
Salaries and benefits	5,347,261	5,048,833
Agency partnership distributions	2,612,007	2,102,676
Occupancy costs	603,778	624,347
Program supplies	451,169	543,562
Purchased services	385,361	496,295
Pandemic expenses (Note 14)	27,691	301,572
Professional fees	192,664	211,586
Communications	41,242	106,882
Telecommunications	203,003	83,000
Professional development	58,573	79,013
Repairs and maintenance	103,477	78,385
Amortization	47,946	46,301
Bank charges, interest and payroll processing	30,182	28,279
General office expenses	76,144	24,580
Insurance	21,054	22,854
Travel	15,322	10,291
	10,216,874	9,808,456
Excess of revenue over expenditures for the year	\$ 19,232	\$ 3,559

The accompanying notes are an integral part of these financial statements.

Addiction Services Central Ontario

Statement of Changes in Net Assets

For the year ended March 31, 2022

	Unrestricted	Internally Restricted (Note 6)	Total 2022	Total 2021
Balance, beginning of year	\$ 3,434	\$ 470,000	\$ 473,434	\$ 469,875
Excess of revenue over expenditures	19,232	-	19,232	3,559
Transfer of funds	(20,000)	20,000	-	-
Balance, end of year	\$ 2,666	\$ 490,000	\$ 492,666	\$ 473,434

The accompanying notes are an integral part of these financial statements.

Addiction Services Central Ontario

Statement of Cash Flows

For the year ended March 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	\$ 19,232	\$ 3,559
Adjustments required to reconcile excess of revenue over expenditures for the year with net cash provided by operating activities		
Amortization of capital assets	47,946	46,301
Amortization of deferred capital contributions	(26,936)	(30,888)
Deferred rent	(15,253)	(1,167)
Changes in non-cash working capital balances		
Accounts receivable	(102,544)	(55,168)
HST receivable	30,454	(26,737)
Prepaid expenses	147,636	(177,509)
Accounts payable and accrued liabilities, net of amount in Note 7	380,129	1,037,200
Deferred revenue	(57,640)	74,590
	<u>423,024</u>	<u>870,181</u>
Investing activities		
Purchase of capital assets	(19,166)	(25,751)
Proceeds on sale of (purchase of) investments, net	(78,274)	201,842
	<u>(97,440)</u>	<u>176,091</u>
Financing activity		
Contributions received for capital asset purchases	19,166	373,558
Increase in cash during the year	344,750	1,419,830
Cash, beginning of year	1,614,823	194,993
Cash, end of year	\$ 1,959,573	\$ 1,614,823

The accompanying notes are an integral part of these financial statements.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

1. Nature of Organization and Significant Accounting Policies

Nature of the Organization

Addiction Services Central Ontario (the "Organization" - formerly known as Addiction Services for York Region) is a non-profit, charitable agency that unites to offer hope and promote recovery through outstanding service and innovation. On June 1, 2021, the Organization changed its name from Addiction Services for York Region to Addiction Services Central Ontario. The Organization believes in a world where all people affected by addictions will have the opportunity to heal.

The Organization is a registered charity under the Income Tax Act and as such is exempt from income tax.

General

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Deferred Rent

Deferred rent represents the straight-lining of premises rental payments over the term of the lease.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	- 33 % declining balance
Office furniture and equipment	- 20 % declining balance
Leasehold improvements	- 20 % straight line

Revenue Recognition

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

The Organization is funded in part by the Government of Ontario in accordance with budget arrangements established by Ontario Health and the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate.

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.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

1. Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued)

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Fee for service and other contract revenue is recognized when the services are provided and collectibility is reasonably assured.

Contributed Services

Volunteers contribute time to assist the Organization in carrying out its services. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Organization has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of operations.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations. Transaction costs are expensed for those items measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

2. Cash

The Organization has an unused line of credit of \$150,000 (2021 - \$150,000) that bears interest at prime + 5% (2021 - prime + 5%).

3. Short-term Investments

Short-term investments consist of Guaranteed Investment Certificates ("GICs") earning interest of 0.60% to 1.49%, maturing in January 2023 (2021 - GICs earning interest of 0.60% to 2.85%, maturing in September 2021).

Long-term investments consist of GICs earning interest of 0.0044% to 2.16%, maturing between January 2024 and January 2025 (2021 - Money Market Funds earning interest of 0.20%).

4. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 357,292	\$ 353,324	\$ 357,292	\$ 326,089
Office furniture and equipment	236,275	165,721	217,109	152,874
Leasehold improvements	100,900	85,171	100,900	77,307
	\$ 694,467	\$ 604,216	\$ 675,301	\$ 556,270
Net book value		\$ 90,251		\$ 119,031

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$3,111 (2021 - \$3,366) in government withholding taxes.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

6. Internally Restricted Funds

The Board of Directors have internally restricted funds in the amount of \$490,000 (2021 - \$470,000) to be spent only upon approval of the Board and only for unforeseen expenses, major capital asset additions or operating needs that are not otherwise budgeted. They are not to be used to fund current operating activities.

7. Deferred Capital Contributions

Deferred capital contributions consists of the following:

	2022	2021
Balance, beginning of year	\$ 459,792	\$ 117,122
Contributions received from:		
Central Local Health Integration Network	-	373,558
Ontario Health	19,166	-
Contributions payable to:		
Ontario Health	(350,000)	-
	128,958	490,680
Amortization of deferred capital contributions	(26,936)	(30,888)
	\$ 102,022	\$ 459,792

In 2020-2021, the Organization received \$350,000 from the Central Local Health Integration Network, which is now part of Ontario Health, to purchase a capital asset, which was previously included in deferred capital contributions in the prior year. During the year, the Organization was unable to proceed with the purchase of this asset due to supply chain challenges. The Organization was unable to receive approval to defer the capital contribution for another year, therefore this amount has been removed from deferred capital contributions and reclassified as a payable to Ontario Health, included in accounts payable and accrued liabilities on the statement of financial position.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

11. Commitments

The Organization has the following minimum annual payments for their premises and telecommunications equipment:

2023	\$ 437,075
2024	421,001
2025	325,742
2026	256,000
2027	256,433
Thereafter	<u>1,112,150</u>
	<u>\$ 2,808,401</u>

12. Financial Instrument Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of short-term investments. This risk is mitigated through the use of a formal investment policy, using the services of a professional investment advisor, and on-going monitoring and reporting. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date. The Organization is exposed to this risk mainly in respect of its accounts payable and commitments.

13. Contingent Liabilities

The Organization receives funding from Ontario Health to assist with the expenditures of the Organization based on a pre-approved budget. The amount of funding provided to the Organization is subject to final review and approval by Ontario Health.

As at the date of these financial statements, funding for the fiscal year from April 1, 2021 to March 31, 2022 has not been subject to the Ministry of Health review process. As at March 31, 2022 the Organization has not recorded a payable to Ontario Health (2021 - \$Nil) on account of unspent funding. Any adjustments required as a result of this review, will be accounted for in the year of settlement.

Addiction Services Central Ontario

Notes to Financial Statements

March 31, 2022

14. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world.

The Organization's services are deemed essential and therefore exempt from provincial closure orders. The Organization received funding towards supporting expenses related to COVID-19. Management continues to implement cost-saving measures to mitigate the financial impact of COVID-19.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation and the impact on its financial condition, liquidity, operations, suppliers, sector, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

15. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's method of presentation.