

ADDICTION SERVICES CENTRAL ONTARIO

Financial Statements

March 31, 2023

INDEPENDENT AUDITORS' 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, 2023, 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, 2023, 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.

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 report. We are independent of the Organization in accordance with 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 for the year ended March 31, 2022 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements on June 28, 2022.

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 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.

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.

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INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibilities for the Audit of the Financial Statements - 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 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 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.

Williams & Partners

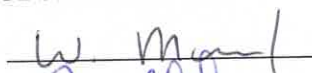

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
June 23, 2023

ADDICTION SERVICES CENTRAL ONTARIO**Statement of Financial Position****March 31, 2023**

	2023 \$	2022 \$
Assets		
Current		
Cash	1,524,539	1,959,573
Investments (note 4)	102,410	114,463
Accounts receivable	618,972	210,892
HST receivable	169,465	109,890
Prepaid expenses	62,056	53,921
	2,477,442	2,448,739
Investments (note 4)	305,219	401,367
Capital assets (note 5)	592,029	90,251
	3,374,690	2,940,357
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 7 and 11)	2,029,383	2,174,047
Deferred revenue (note 10)	101,549	37,852
	2,130,932	2,211,899
Deferred capital contributions (note 8)	601,788	102,022
Deferred rent	125,586	133,770
	2,858,306	2,447,691
<i>Commitments (note 14)</i>		
Net Assets		
Unrestricted	3,384	2,666
Internally restricted (note 9)	513,000	490,000
	516,384	492,666
	3,374,690	2,940,357

On behalf of the Board

 Director
 Director

See accompanying notes

ADDICTION SERVICES CENTRAL ONTARIO**Statement of Operations****Year Ended March 31, 2023**

	2023 \$	2022 \$
Revenues		
Ontario Health (note 11)	10,438,489	8,902,755
Other funded programs (note 12)	910,610	514,998
Grants, donations and other income	70,164	475,401
Community Withdrawal Management Services Funding (note 13)	128,033	128,033
Fees for services	97,449	116,717
Ministry of Health, Children and Youth Mental Health	63,564	63,564
Amortization of deferred capital contributions (note 8)	23,724	26,936
Interest	7,845	7,702
	<u>11,739,878</u>	<u>10,236,106</u>
Expenses		
Salaries and benefits	5,671,386	5,347,261
Agency partnership distributions	3,539,455	2,612,007
Occupancy costs	646,059	603,778
Program supplies	596,026	451,169
Purchased services	385,242	385,361
Professional fees	240,365	192,664
Professional development	166,887	58,573
Telecommunications	141,210	203,003
Repairs and maintenance	110,717	103,477
Communications	62,364	41,242
Travel	53,831	15,322
General office	31,773	76,144
Bank charges, interest and payroll processing	29,786	30,182
Amortization	21,711	47,946
Insurance	19,348	21,054
Pandemic (note 15)	-	27,691
	<u>11,716,160</u>	<u>10,216,874</u>
Excess of revenues over expenses	<u>23,718</u>	<u>19,232</u>

ADDICTION SERVICES CENTRAL ONTARIO**Statement of Changes in Net Assets****Year Ended March 31, 2023**

	Unrestricted \$	Internally Restricted (note 9) \$	2023 \$	2022 \$
Balance, beginning of year	2,666	490,000	492,666	473,434
Excess of revenues over expenses	23,718	-	23,718	19,232
Transfer of funds	(23,000)	23,000	-	-
Balance, end of year	3,384	513,000	516,384	492,666

ADDICTION SERVICES CENTRAL ONTARIO**Statement of Cash Flows****Year Ended March 31, 2023**

	2023 \$	2022 \$
Cash flows from operating activities		
Excess of revenues over expenses	23,718	19,232
Items not affecting cash:		
Amortization of capital assets	21,711	47,946
Amortization of deferred capital contributions	(23,724)	(26,936)
Deferred rent	(8,184)	(15,253)
	<u>13,521</u>	<u>24,989</u>
Changes in non-cash working capital:		
Accounts receivable	(408,082)	(102,544)
Accounts payable and accrued liabilities	(144,665)	380,129
Deferred revenue	63,697	(57,640)
Prepaid expenses	(8,134)	147,636
HST receivable	(59,572)	30,454
	<u>(556,756)</u>	<u>398,035</u>
	<u>(543,235)</u>	<u>423,024</u>
Cash flows from investing activities		
Acquisition of capital assets	(523,490)	(19,166)
Net proceeds on disposition of (purchase of) investments	108,201	(78,274)
	<u>(415,289)</u>	<u>(97,440)</u>
Cash flows from financing activity		
Contributions received for capital asset purchases	523,490	19,166
Increase (decrease) in cash	(435,034)	344,750
Cash, beginning	<u>1,959,573</u>	<u>1,614,823</u>
Cash, ending	<u>1,524,539</u>	<u>1,959,573</u>

ADDICTION SERVICES CENTRAL ONTARIO

Notes to Financial Statements

Year Ended March 31, 2023

1. PURPOSE 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

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.

Restricted contributions related to general operations are deferred and recognized as revenue in the year in which the related expenses are recognized. Restricted contributions related to capital assets are deferred and amortized over the useful life of the assets.

Fees for service and other contract revenue are recognized when services are performed and collection is reasonable assured.

Interest income is recognized on an accrual basis.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost except for those financial instruments that are quoted in an active market. Changes in fair value are recognized in excess of revenues over expenses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include fixed income securities readily traded in an active market.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down from impairment is recognized as a charge against excess of revenues over expenses.

Cash

Cash is defined as cash on hand, net of cheques issued and outstanding at the reporting date.

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ADDICTION SERVICES CENTRAL ONTARIO

Notes to Financial Statements

Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for on a declining balance basis using the following annual rates:

Computer equipment	33%
Office furniture and equipment	20%
Vehicles	10%

Leasehold improvements are amortized on a straight line basis over 5 years.

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from their use and eventual disposition. The impairment loss is measured by the amount by which the carrying amount of the long-lived asset exceeds their fair value.

Deferred rent

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

Donated materials and services

These financial statements do not reflect donated materials and services except where the fair value can be reasonably estimated and when they are used in the course of normal operations.

Members of the Board of Directors of the Organization serve without remuneration.

Use of estimates

The preparation of the Organization's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Estimates are used when accounting for amortization and accrued liabilities. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in excess of revenues over expenses in the period in which they become known.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations at the date of the statement of financial position:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Organization is exposed to credit risk on its accounts receivable. In order to mitigate its credit risk, the Organization has adopted credit policies which include the regular review and analysis of the aging of its receivables.

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ADDICTION SERVICES CENTRAL ONTARIO

Notes to Financial Statements

Year Ended March 31, 2023

3. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Organization's inability to liquidate assets in a timely manner and at a reasonable price.

The Organization is exposed to liquidity risk on its accounts payable and accrued liabilities. The Organization mitigates this risk by ensuring they generate sufficient cash flow from operations.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all securities traded in the market. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is exposed to interest rate risk and is not exposed to currency risk or other price risk.

i) 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 on its investments as disclosed in note 4.

Changes in risk

There has been an increase in credit risk as a result of an increase in accounts receivable. There have been no other significant changes in the Organization's risk exposures from the prior year.

4. INVESTMENTS

	2023 \$	2022 \$
Canadian		
Fixed income short-term	102,410	114,463
Fixed income long-term	305,219	401,367
Total	407,629	515,830
Supplementary information		
Investments at cost	400,000	514,474

The fixed income investments bear interest at rates between 0.0044% and 2.16% per annum, maturing between January 2024 and January 2025.

ADDICTION SERVICES CENTRAL ONTARIO**Notes to Financial Statements****Year Ended March 31, 2023****5. CAPITAL ASSETS**

	Cost \$	Accumulated amortization \$	2023 Net book value \$	2022 Net book value \$
Computer equipment	380,832	353,060	27,772	3,968
Furniture and fixtures	236,275	179,832	56,443	70,554
Leasehold improvements	100,900	93,036	7,864	15,729
Vehicle	499,950	-	499,950	-
	<u>1,217,957</u>	<u>625,928</u>	<u>592,029</u>	<u>90,251</u>

Included in vehicle is an asset with a cost of \$499,950 (2022 - \$NIL), the purchase of which was approved in March 2023. As such, no amortization has been taken on this asset.

Though the COVID-19 pandemic has had an impact on the Organization, the Organization continues to generate positive cash flows and as such there is no indication that the capital assets for the year ended March 31, 2023 are impaired.

6. CREDIT FACILITY

The Organization has available to it a \$150,000 line of credit that bears interest at prime plus 5%.

The balance drawn on this facility as at March 31, 2023 was \$NIL (2022 - \$NIL).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$NIL (2022 - \$3,111) owing in government remittances payable.

ADDICTION SERVICES CENTRAL ONTARIO

Notes to Financial Statements

Year Ended March 31, 2023

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consists of the following:

	2023 \$	2022 \$
Balance, beginning	102,022	459,792
Contributions received from:		
Ontario Health	523,490	19,166
Contributions payable to:		
Ontario Health	-	(350,000)
	625,512	128,958
Amortization of deferred capital contributions	(23,724)	(26,936)
	601,788	102,022

9. INTERNALLY RESTRICTED FUNDS

The Board of Directors have internally restricted funds in the amount of \$513,000 (2022 - \$490,000) 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.

10. DEFERRED REVENUES

Deferred revenue consists of the following amounts:

	2023 \$	2022 \$
Canadian Mental Health Association, Toronto	24,849	27,477
Addictions & Mental Health Ontario	-	10,375
Ontario Trillium Foundation	51,016	-
York Hills Centre for Children, Youth and Families	25,684	-
	101,549	37,852

11. 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 April 1, 2022 to March 31, 2023 has not been subject to the Ministry of Health review process. As at March 31, 2023, the Organization has recorded a payable of \$2,544 (2022 - \$350,000), which is restricted funds and is included in accounts payable and accrued liabilities, 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****Year Ended March 31, 2023****12. OTHER FUNDED PROGRAMS**

Other program revenue consists of the following amounts:

	2023 \$	2022 \$
Canadian Mental Health Association, Toronto		
Housing First Program	373,459	373,458
Toronto Community Crisis Response	44,327	-
Royal Ottawa Health Care Group		
Digital Front Door	290,456	-
Ontario Trillium Foundation		
Resilient Communities Fund	27,284	-
Health Canada		
Harm Reduction Project	14,806	-
Unity Health		
T02AN - Expansion of North York General Hospital RAAM Clinic	160,278	-
United Way		
COVID-19 Emergency Community Support Fund	-	141,540
	<u>910,610</u>	<u>514,998</u>

13. COMMUNITY WITHDRAWAL MANAGEMENT SERVICES FUNDING

Community Withdrawal Management Services is a program supported by Ontario Health and the Royal Victoria Hospital. The funding of \$128,033 (2022 - \$128,033) represents funds received from the Royal Victoria Hospital.

14. COMMITMENTS

The Organization is committed to operating leases for its premises through to July 2031. Future minimum lease payments on this lease are as follows:

	\$
2024	421,001
2025	325,742
2026	256,000
2027	256,433
2028	256,650
Thereafter	855,500
	<u>2,371,326</u>

ADDICTION SERVICES CENTRAL ONTARIO

Notes to Financial Statements

Year Ended March 31, 2023

15. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

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.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary, however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Organization's operations as at the date of these financial statements.