

**FINANCIAL STATEMENTS
MARCH 31, 2017**

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**Rideau Community
Health Services
Financial Statements
March 31, 2017**



Management's Responsibility for the Financial Statements

The accompanying financial statements of the Rideau Community Health Services (RCHS) are the responsibility of the Organization's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Organization's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Board approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Organization. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements.



Merrickville District
COMMUNITY HEALTH CENTRE



Smiths Falls
COMMUNITY HEALTH CENTRE

RideauValley
DIABETES
Services
Leamington, Leamington & Greenville





22 Wilson Street West | Perth, Ontario | K7H 2M9
Phone: 613-267-6580 | Fax: 613-267-7563
info@allanandpartners.com
www.allanandpartners.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Rideau Community Health Services:

We have audited the accompanying financial statements of Rideau Community Health Services which comprise the statement of financial position as at March 31, 2017, and the statement of operations, and changes in net financial assets, and cash flow statement 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 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.

Auditor's Responsibility

Our responsibility is to express an audit opinion on the 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 an 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 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 entity'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 entity'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.

In common with many charitable organizations, the organization derives revenue from fundraising events the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses and cash flow from operations for the year ended, March 31, 2017, current assets as at March 31, 2017 and fund balances as at March 31, 2017.

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, these financial statements present fairly, in all material respects, the financial position of the Rideau Community Health Services as at March 31, 2017, and the results of its operations, changes in net financial assets and its cash flows for the year ended March 31, 2017 in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
May 23, 2017.

Rideau Community Health Services Statement of Financial Position

March 31	2017	(Note 13) 2016
	\$	\$
Assets		
Current Assets		
Cash	802,199	625,566
Guaranteed investment certificates	143,572	143,254
Accounts receivable (note 2)	10,186	39,205
Accounts receivable ▶ HST (note 2)	137,914	106,211
Prepaid expenses	52,081	41,123
	1,145,952	955,359
Capital Assets (note 3)	1,356,491	1,618,139
	2,502,443	2,573,498
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	633,463	551,077
Due to Ministry of Health and Long Term Care (note 4)	271,301	176,047
Deferred revenues (note 5)	105,203	92,675
	1,009,967	819,799
Deferred Contributions (note 6)	1,278,887	1,515,466
	2,288,854	2,335,265
Contingent Liabilities (note 10)		
Net Financial Assets		
Invested in capital assets	77,604	102,673
Unrestricted	135,985	135,560
	213,589	238,233
	2,502,443	2,573,498

On Behalf of the Board:

_____, Chairperson

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

Rideau Community Health Services Statement of Operations

For the year ended March 31	(Note 11) Budget	2017	(Note 13) 2016
	\$	\$	\$
Revenues			
Ministry of Health	6,949,695	6,682,713	6,722,932
Amortization of deferred contributions	---	293,661	287,076
Ministry of Community and Social Services	110,113	110,114	110,114
Recoverables and other income	246,946	476,431	434,598
	7,306,754	7,562,919	7,554,720
Expenditures			
Compensation			
Salaries	4,997,791	4,688,801	4,780,142
Benefits	1,033,859	1,026,374	1,077,943
Service Cost			
Rent and accommodation	377,403	427,272	381,475
Medical supplies	61,429	55,365	49,593
Contracted out	20,000	33,019	39,928
Other	35,000	22,838	739
Sundry			
Computer	109,536	117,409	118,246
Professional development	44,500	286,742	289,189
General administrative	74,233	103,575	88,705
Telephone	72,965	85,791	68,123
Travel	57,633	67,225	64,692
Insurance	36,250	33,777	34,926
Other	386,155	320,646	272,893
Amortization	---	318,729	309,522
	7,306,754	7,587,563	7,576,116
Deficiency of Revenues Over Expenses	---	(24,644)	(21,396)
Net Financial Assets, Beginning of Year	238,233	238,233	259,629
Net Financial Assets, End of Year	238,233	213,589	238,233

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

Rideau Community Health Services Statement of Changes in Net Financial Assets

Year Ended March 31	Invested in Capital Assets	Unrestricted	2017	(Note 13) 2016
	\$	\$	\$	\$
Balance, Beginning of Year	102,673	135,560	238,233	259,629
(Deficiency) Excess of Revenues over Expenses	(25,069)	425	(24,644)	(21,396)
Balance, End of Year	77,604	135,985	213,589	238,233

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

Rideau Community Health Services Statement of Cash Flows

For the year ended March 31	2017	(Note 13) 2016
	\$	\$
Cash Flows Provided From:		
Operating		
Deficiency of revenues over expenses	(24,644)	(21,396)
Amortization of capital assets	318,729	309,522
Amortization of deferred contributions	(293,660)	(287,076)
	425	1,050
Net Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	29,019	12,791
Accounts receivable ▶ HST	(31,703)	62,593
Prepaid expenses	(10,958)	(8,441)
Accounts payable and accrued liabilities	82,386	(178,130)
Due to Ministry of Health and Long Term Care	95,254	20,272
Deferred revenues	12,528	(34,361)
	176,526	(125,276)
Net Change from Operations	176,951	(124,226)
Investing Activities		
Guaranteed Investment Certificates	(318)	(450)
Capital asset additions	(57,081)	(285,758)
	(57,399)	(286,208)
Financing Activities		
Net increase in deferred contributions	57,081	285,758
Change in Cash, During the Year	176,633	(124,676)
Cash, Beginning of Year	625,566	750,242
Cash, End of Year	802,199	625,566

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

Rideau Community Health Services

Notes to the Financial Statements

March 31, 2017

Description of Organization

Rideau Community Health Services (RCHS) is incorporated under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act. Its mission is to provide a wide range of health services and programs to individuals, families throughout Lanark, Leeds and Grenville, with an emphasis on the communities of Merrickville and Smiths Falls.

1. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Organization is funded, primarily by the Province of Ontario, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care, the South East Local Health Integrated Network, Ministry of Community and Social Services and Ministry of Children and Youth Services. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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.

Externally restricted contributions, such as trust funds 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 on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. 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.

The amount of any pledges and bequests to donate funds to the Organization is not included in revenue until such time as funds are received.

Classification of Financial Instruments

All financial instruments reported on the Statement of Financial Position of the Organization are classified as follows:

Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

Rideau Community Health Services Notes to the Financial Statements

March 31, 2017

1. Significant Accounting Policies / continued

Short-Term Investments and Investments

Transaction costs related to the acquisition of investments are recorded against investment income. Sales and purchases of investments are recorded on the settlement date.

Fair value is determined at quoted market prices. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair value.

Capital Assets

Purchased capital assets, other than minor equipment are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When an asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use. Capital assets are amortized over their expected useful lives as follows:

Buildings	5%
Computer Equipment	5 years
Furniture and Fixtures	5 years
Generator	5 years
Medical Equipment	5 years
Leasehold Improvements	10 years

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Measurement Uncertainty

The preparation of 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 reported amounts of revenues and expensed during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets, the assumptions underlying the employee future benefit liability calculation, the amount of accrued liabilities and the allowance for doubtful accounts.

Rideau Community Health Services Notes to the Financial Statements

March 31, 2017

2. Accounts Receivable

Accounts receivable are comprised of the following:

	2017	2016
	\$	\$
HST	137,914	106,211
Other	10,186	39,205
	148,100	145,416

3. Capital Assets

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building	1,072,420	596,132	476,288	501,356
Generator	56,912	40,976	15,936	22,765
Furniture and Fixtures	24,690	9,875	14,815	19,754
Computer Equipment	194,696	97,333	97,363	91,819
Medical Equipment	241,443	140,060	101,383	141,627
Leasehold Improvements	1,922,628	1,271,922	650,706	840,818
	3,512,789	2,156,298	1,356,491	1,618,139

4. Due to Ministry of Health and Long Term Care

	2017	2016
	\$	\$
Beginning balance, related to operating funding	176,047	155,775
Repaid in 2016	(114,646)	(41,128)
2016 recoverable amount	209,900	61,400
Ending balance, related to operating funding	271,301	176,047

Rideau Community Health Services Notes to the Financial Statements

March 31, 2017

4. Due to Ministry of Health and Long Term Care / continued

		2017	2016
		\$	\$
Amounts recoverable owing by year	▸ 2017	209,901	---
	▸ 2016	61,400	61,400
	▸ 2015	---	114,647
		271,301	176,047

5. Deferred Revenue

Deferred revenue for the current year is comprised of the following programs

	2017	2016
	\$	\$
Trillium	24,479	---
Physician recruitment	---	12,981
Trinity Village	6,761	6,761
Merrickville District Trails Society	284	339
Emergency Food Cupboard	11,418	9,875
Rideau Valley Diabetes Program - other	8,433	7,383
The After School Programme Revenue	7,879	12,165
Better Health / Complex Client Initiative	25,720	28,761
County Addictions	5,579	3,595
Food Security	1,836	2,325
Donations ▸ client support	9,258	6,848
▸ other	3,556	1,642
	105,203	92,675

6. Deferred Contributions

The Ministry of Health and Long Term Care provide grants for approved acquisitions of capital assets. These grants are recorded in deferred contributions and amortized over the useful life of the associated asset.

Rideau Community Health Services Notes to the Financial Statements

March 31, 2017

7. Demand Loan

The Organization has access to a \$500,000 demand credit facility with the Royal Bank of Canada. This facility was not in use as at March 31, 2017.

8. Operating Leases

RGHS leases premises in Smiths Falls until October, 2018 and in Brockville until April 2017. Future minimum lease payments, including operating costs and HST are:

	\$
2018	295,500
2019	136,782

9. Financial Instruments

Establishing Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- ▶ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices); and,
- ▶ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Credit Risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Organization is exposed to credit risk on its accounts receivable.

Rideau Community Health Services Notes to the Financial Statements

March 31, 2017

9. Financial Instruments / continued

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization requires working capital to meet day-to-day operating activities. Management expects that the Organization's cash flows from operating activities will be sufficient to meet these requirements.

Market Risk

The Organization is not exposed to any market risk due to the nature of its activities.

10. Contingent Liabilities

The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2017, management believes that the Organization has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

11. Budget Figures

The budget reflected in the statement of operations is an annual budget which has been approved by the Rideau Community Health Services Board of Directors. The budget figures are unaudited.

12. Economic Dependence

The Organization is dependent on the South East Local Health Integration Network for a significant portion of its revenue. These funds are provided under a Multi-Sectoral Accountability Agreement. The Organization is also dependent on the Ministry of Community and Social Services and Ministry of Children and Youth Services for a significant portion of its revenue.

As the Organization's main source of income is derived from these agreements, its ability to continue viable operations is dependent upon the renewal of these agreements.

13. Comparative Figures

Prior year's figures were reported on by another accounting firm. Some reclassification of prior year's figures was necessary in order to conform to this year's presentation.

Rideau Community Health Services Operating Statement Schedule

March 31, 2017

	LHIN CHC Core	LHIN One Time	MCSS	Addiction	Other	Totals & Net Surplus (Deficit)
	\$	\$	\$	\$	\$	\$
Revenue						
Amortization of Deferred Contributions						
▸ LHIN	5,928,947	---	---	---	---	5,928,947
▸ LHIN One Time	---	754,048	---	---	---	754,048
▸ MCSS	---	---	109,832	---	---	109,832
▸ Other	29,786	16,492	---	85,899	126,701	258,878
▸ Recoverable	216,513	1,039	---	---	---	217,552
Total Revenues	6,175,246	771,579	109,832	85,899	126,701	7,269,257
Expenditures						
Compensation						
▸ Benefits	940,055	56,641	15,639	14,039	---	1,026,374
▸ LHIN One Time	---	2,235	---	---	---	2,235
▸ Salaries	4,232,030	304,427	79,414	70,694	---	4,686,565
Total Compensation	5,172,085	363,303	95,053	84,733	---	5,715,174
Service Cost						
▸ Contracted out	7,947	25,071	---	---	---	33,018
▸ Equipment	22,838	---	---	---	---	22,838
▸ Medical supplies	42,380	8,565	3,415	---	1,005	55,365
▸ Rent and accommodation	409,139	15,000	3,133	---	---	427,272
Total Service Cost	482,304	48,636	6,548	---	1,005	538,493
Sundry						
▸ Computer	115,249	2,160	---	---	---	117,409
▸ Equipment	3,068	1,507	---	---	---	4,575
▸ General administration	94,521	6,073	2,981	---	---	103,575
▸ Insurance	33,778	---	---	---	---	33,778
▸ LHIN One Time	---	192	---	---	---	192
▸ Meetings	75	---	---	---	---	75
▸ Miscellaneous	23,635	5,219	---	---	---	28,854
▸ Professional development	21,847	264,780	95	20	---	286,742
▸ Professional fees	94,555	---	---	---	---	94,555
▸ Program expenses	9,588	38,941	---	204	125,272	174,005
▸ Repairs and maintenance	17,196	1,193	---	---	---	18,389
▸ Telephone	59,389	23,597	1,863	942	---	85,791
▸ Travel	47,956	15,978	3,292	---	---	67,226
Total Sundry	520,857	359,640	8,231	1,166	125,272	1,015,166
Amortization	---	---	---	---	25,068	25,068
Total Net (Deficit) Surplus	---	---	---	---	(24,644)	(24,644)