

**Addiction Services for York Region
Financial Statements
For the year ended March 31, 2020**

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Independent Auditor's Report

To the Board of Directors of Addiction Services for York Region

Opinion

We have audited the financial statements of Addiction Services for York Region (the Organization), which comprise the statement of financial position as at March 31, 2020, 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, 2020, and its results of operations 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
Mississauga, Ontario
June 25, 2020

Addiction Services for York Region Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 194,993	\$ 150,552
Short-term investments (Note 3a)	439,398	273,485
Accounts receivable	53,180	220,991
HST receivable	113,607	138,643
Prepaid expenses	24,048	51,719
	825,226	835,390
Long-term investments (Note 3b)	200,000	254,000
Capital assets (Note 5)	139,581	88,864
	\$ 1,164,807	\$ 1,178,254

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 406,718	\$ 504,102
Deferred revenue	20,902	13,464
	427,620	517,566
Deferred capital contributions (Note 7)	117,122	59,817
Deferred rent	150,190	143,345
	694,932	720,728
Net Assets		
Unrestricted	9,875	7,526
Internally restricted (Note 6)	460,000	450,000
	469,875	457,526
	\$ 1,164,807	\$ 1,178,254

On behalf of the Board:

_____ Director

_____ Director

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

Addiction Services for York Region Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Central Local Health Integration Network (Note 12)	\$ 7,933,014	\$ 7,240,530
Other funded programs (Note 8)	386,921	395,770
Fee for service	141,207	126,243
Community Withdrawal Management Funding (Note 9)	128,033	128,033
Ministry of Children, Community and Social Services	60,564	60,564
Amortization of deferred capital contributions (Note 7)	43,267	20,659
Donations and other income	19,594	16,040
Interest income	12,978	4,108
	8,725,578	7,991,947
Expenditures		
Salaries and benefits	4,996,580	3,930,480
Agency partnership distributions	1,628,999	1,705,167
Occupancy costs	555,579	460,417
Professional fees	353,108	156,400
Program supplies	275,489	669,770
Repairs and maintenance	270,554	221,944
Purchased services	114,213	281,645
Travel	113,015	88,991
Professional development	109,702	82,312
Telephone	90,879	97,535
Office	52,702	183,978
Amortization	49,855	29,934
Information technology	48,937	40,081
Bank charges, interest and payroll processing	24,594	22,382
Insurance	20,739	18,905
Pandemic expenses (Note 13)	8,284	-
	8,713,229	7,989,941
Excess of revenue over expenditures for the year	\$ 12,349	\$ 2,006

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

**Addiction Services for York Region
Statement of Changes in Net Assets**

For the year ended March 31, 2020

	Unrestricted	Internally Restricted (Note 6)	Total 2020	Total 2019
Balance, beginning of year	\$ 7,526	\$ 450,000	\$ 457,526	\$ 455,520
Excess of revenue over expenditures	12,349	-	12,349	2,006
Transfer of funds	(10,000)	10,000	-	-
Balance, end of year	\$ 9,875	\$ 460,000	\$ 469,875	\$ 457,526

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

Addiction Services for York Region Statement of Cash Flows

For the year ended March 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	\$ 12,349	\$ 2,006
Adjustments required to reconcile excess of revenue over expenditures for the year with net cash provided by operating activities		
Amortization of capital assets	49,855	29,934
Amortization of deferred capital contributions	(43,267)	(20,659)
Deferred rent	6,845	(1,404)
Changes in non-cash working capital balances		
Accounts receivable	167,811	(129,799)
HST receivable	25,036	(56,153)
Prepaid expenses	27,671	(51,719)
Accounts payable and accrued liabilities	(97,384)	(260,176)
Deferred revenue	7,438	13,464
	156,354	(474,506)
Investing activities		
Purchase of capital assets	(100,572)	(39,095)
Purchase of investments, net	(111,913)	(3,195)
	(212,485)	(42,290)
Financing activity		
Contributions received for capital asset purchases	100,572	39,095
Increase (decrease) in cash during the year	44,441	(477,701)
Cash, beginning of year	150,552	628,253
Cash, end of year	\$ 194,993	\$ 150,552

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

Addiction Services for York Region

Notes to Financial Statements

March 31, 2020

1. Nature of Organization and Significant Accounting Policies

Nature of the Organization

Addiction Services for York Region is a non-profit, charitable agency that unites to offer hope and promote recovery through outstanding service and innovation. 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 the Central Local Health Integration Network and the Ministry of Children, Community and Social Services. 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 for York Region Notes to Financial Statements

March 31, 2020

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 for York Region Notes to Financial Statements

March 31, 2020

2. Cash

The Organization has an unused line of credit of \$50,000 that bears interest at prime + 1.25%.

3. Investments

- a) Short-term investments consist of Guaranteed Investment Certificates ("GICs") earning interest of 2.08% to 2.45%, maturing between May 2020 and August 2020 and Money Market Mutual Funds earning interest of 0.25% (2019 - GICs earning interest of 1.75% to 2.25%, maturing between July 2019 and September 2019 and Money Market Mutual Funds earning interest of 1.60%).
- b) Long-term investments consist of GICs earning interest of 2.14% to 2.85%, maturing September 2021 (2019 - GICs earning interest of 2.16% to 2.85%, maturing between July 2020 and September 2021).

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 357,292	\$ 297,273	\$ 296,043	\$ 267,308
Office furniture and equipment	191,357	143,253	191,357	131,228
Leasehold improvements	100,900	69,442	61,577	61,577
	\$ 649,549	\$ 509,968	\$ 548,977	\$ 460,113
Net book value		\$ 139,581		\$ 88,864

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$61,013 (2019- \$87,088) in government withholding taxes.

Addiction Services for York Region Notes to Financial Statements

March 31, 2020

6. Internally Restricted Funds

The Board of Directors have internally restricted funds in the amount of \$460,000 (2019 - \$450,000) 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:

	2020	2019
Balance, beginning of year	\$ 59,817	\$ 41,381
Contributions received from:		
Central Local Health Integration Network	100,572	39,095
	160,389	80,476
Amortization of deferred capital contributions	(43,267)	(20,659)
	\$ 117,122	\$ 59,817

8. Other Funded Programs

Other program revenue consists of the following amounts:

	2020	2019
Canadian Mental Health		
Housing First Program	\$ 373,457	\$ 373,457
Black Creek Community Health Centre		
Bridges to Moms and Moms and Kids Too Program	-	22,313
Gambling Research Exchange Ontario		
Research, Knowledge Translation and Exchange Award	13,464	-
	\$ 386,921	\$ 395,770

9. Community Withdrawal Management Funding

Community Withdrawal Management Services is a program supported by the Central Local Health Integration Network and the Royal Victoria Hospital. The funding of \$128,033 (2019 - \$128,033) represents funds received from the Royal Victoria Hospital.

Addiction Services for York Region Notes to Financial Statements

March 31, 2020

10. Commitments

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

2021	\$ 426,213
2022	430,442
2023	405,875
2024	389,801
2025	323,142
Thereafter	<u>1,624,583</u>
	<u>\$ 3,600,056</u>

11. Financial Instrument Risk

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 and long-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.

12. Contingent Liabilities

The Organization receives funding from the Central Local Health Integration Network (the "Central LHIN") 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 the Central LHIN.

As at the date of these financial statements, funding for the fiscal year from April 1, 2019 to March 31, 2020 has not been subject to the Ministry of Health and Long Term Care review process. As at March 31, 2020 the Organization has not recorded a payable to the Central LHIN (2019 - \$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 for York Region Notes to Financial Statements

March 31, 2020

13. Subsequent Event

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.

On March 24, 2020, the Province of Ontario ordered the closure of non-essential businesses. The Organization's services are deemed essential and therefore exempt from the closure order. 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.