

Financial Statements of

**FRONTENAC COMMUNITY MENTAL  
HEALTH SERVICES**

Year ended March 31, 2010

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Financial Statements

Year ended March 31, 2010

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## AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of Frontenac Community Mental Health Services as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements have been prepared to comply with the filing requirements of the Ministry of Health and Long-Term Care and Canada Mortgage and Housing Corporation. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization, as at March 31, 2010 and the results of its operations and its change in cash flows for the year then ended in accordance with the accounting policies described in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Directors of Frontenac Community Mental Health Services and for filing with the Ministry of Health and Long-Term Care and Canada Mortgage and Housing Corporation. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

May 21, 2010

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

## Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 2,991,789	\$ 1,717,098
Receivables	139,952	110,485
Prepaid expenses	14,863	180,413
	<u>3,146,604</u>	<u>2,007,996</u>
Reserves:		
Cash and term deposits	757,311	892,252
Capital assets (note 3)	10,039,129	6,951,891
	<u>\$ 13,943,044</u>	<u>\$ 9,852,139</u>
<b>Liabilities, Deferred Capital Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,217,555	\$ 308,982
Accrued wages and vacation	587,982	543,392
Amounts payable to Ministry of Health and Long-Term Care	654,451	557,039
Deferred revenues	213,504	68,090
Current portion of long-term debt (note 4)	82,918	443,592
	<u>2,756,410</u>	<u>1,921,095</u>
Long-term debt (note 4)	1,351,270	782,849
Deferred capital contributions (note 5)	7,772,603	5,122,558
Net assets:		
Internally restricted for agency housing properties capital reserve (note 7)	181,645	161,438
Externally restricted for housing properties capital reserve (note 7)	1,122,095	1,156,750
Externally restricted housing subsidy surplus	13,391	13,431
Internally restricted for Friendship Enterprises	-	47,597
Investment in capital assets (note 6(a))	832,340	602,892
Unrestricted	(86,710)	43,529
	<u>2,062,761</u>	<u>2,025,637</u>
Commitments (note 9)		
Contingent liabilities (note 10)		
	<u>\$ 13,943,044</u>	<u>\$ 9,852,139</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

## Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	Mental Health Home Services Program	Supportive Housing Program	MCSS	Rental and other activity	Options for Change	Remedial Measures	Total 2010	Total 2009
Revenue:								
Ministry of Health and Long-Term Care (note 11):								
Base	\$ 8,389,522	\$ 578,277	\$ 277,010	\$ 3,503	\$ 1,251,718	\$ -	\$ 10,500,030	\$ 9,692,725
Rental	-	396,814	-	93,493	-	-	490,307	440,518
Interest	835	-	-	-	1,054	1,271	3,160	27,339
Other	378,864	43,974	-	2,931	39,591	32,098	497,458	375,951
	8,769,221	1,019,065	277,010	99,927	1,292,363	33,369	11,490,955	10,536,533
Expenses:								
Salaries and wages	6,049,927	134,502	125,35(6)	1.6(36,049,9)-5	6.6(-	06(2)-5.4(	,82(1)-5.2(5)-5.4(	) -446.8(492(7)-5.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

## Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Internally restricted for agency housing properties capital reserve (note 7)	Externally restricted for housing properties capital reserve (note 7)	Externally restricted housing subsidy surplus	Internally restricted for Friendship Enterprises	Investment in capital assets	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	\$ 161,438	\$ 1,156,750	\$ 13,431	\$ 47,597	\$ 602,892	\$ 43,529	\$ 2,025,637	\$ 2,214,186
Excess (deficiency) of revenue over expenses (note 6(b))	12,481	42,743	—	—	(91,381)	142,993	106,836	40,105
Interfund transfers	—	—	—	(47,597)	—	47,597	—	—
Net change in investment in capital assets (note 6(b))	—	—	—	—	320,829	(320,829)	—	—
Interest earned	226	1,468	(40)	—	—	—	1,654	16,105
Transfers from operations	7,500	24,469	—	—	—	—	31,969	31,969
Capital expenditures (note 7)	—	(169,822)	—	—	—	—	(169,822)	(308,977)
One time provincial funding	—	45,022	—	—	—	—	45,022	32,249
Other	—	21,465	—	—	—	—	21,465	—
<b>Balance, end of year</b>	<b>\$ 181,645</b>	<b>\$ 1,122,095</b>	<b>\$ 13,391</b>	<b>\$ —</b>	<b>\$ 832,340</b>	<b>\$ (86,710)</b>	<b>\$ 2,062,761</b>	<b>\$ 2,025,637</b>

See accompanying notes to financial statements.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

## Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 106,836	\$ 40,105
Items not involving cash:		
Amortization of deferred capital contributions	(194,625)	(168,813)
Amortization of capital assets	286,006	244,925
Changes in non-cash operating working capital:		
Receivable from Ministry of Health and Long-Term Care	–	478,655
Receivables	(29,467)	(34,525)
Prepaid expenses	165,550	(42,640)
Accounts payable and accrued liabilities	908,575	(197,961)
Accrued wages and vacation	44,590	230,339
Amounts payable to Ministry of Health and Long-Term Care	97,412	(241,132)
Deferred revenues	145,414	(53,914)
	<u>1,530,291</u>	<u>255,039</u>
Investing activities:		
Purchase of capital assets	(3,373,246)	(96,503)
Expenditures from reserves	(169,822)	(308,977)
Transfers to reserves	98,456	64,218
Interest earned on reserves	1,653	16,105
	<u>(3,442,959)</u>	<u>(325,157)</u>
Financing activities:		
Repayment of long-term debt	(88,357)	(88,157)
Increase in deferred capital contributions	2,844,671	56,974
Borrowing of long-term debt	296,104	–
	<u>3,052,418</u>	<u>(31,183)</u>
Increase (decrease) in cash and term deposits	1,139,750	(101,301)
Cash and term deposits, beginning of year	2,609,350	2,710,651
Cash and term deposits, end of year	<u>\$ 3,749,100</u>	<u>\$ 2,609,350</u>
Represented by:		
Cash and term deposits:		
Operating funds	\$ 2,991,789	\$ 1,717,098
Reserve funds	757,311	892,252
	<u>\$ 3,749,100</u>	<u>\$ 2,609,350</u>
Supplemental cash flow information:		
Interest paid	\$ 53,737	\$ 55,286
Interest received	835	21,766

See accompanying notes to financial statements.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements

Year ended March 31, 2010

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Frontenac Community Mental Health Services is incorporated as a non-profit corporation without share capital under the laws of Ontario. It is a registered charity and is exempt from income taxes under the Canadian Income Tax Act. Using a variety of health and social supports, and in partnership with others, the Organization works with people who have a serious and persistent mental illness in order that they can be active, participating members of the Frontenac Community.

On September 10, 2009, the transfer agreement for Frontenac Community Mental Health Services and Options for Change Community Addictions Treatment Services was approved.

The transfer has been accounted for using the continuity of interest method. Accordingly opening net assets have been prepared as if the two agencies had been combined since inception.

## 1. Significant accounting policies:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the filing requirements of the Ministry of Health and Long-Term Care and Canada Mortgage and Housing Corporation. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles with respect to the housing operations as described in notes (a) to (c) below:

### (a) Housing capital assets:

Housing land and building costs, which include only the original costs incurred at the time of construction, are capitalized.

Capital asset replacements:

- (i) purchased from operating funds are charged against operations in the year the expenditure is incurred, and
- (ii) purchased from reserves are charged against the reserve account in the year the expenditure is incurred,

rather than being capitalized and amortized over their estimated useful lives.

### (b) Amortization of housing capital assets:

Housing land and building costs, financed by long-term debt, are not amortized over the estimated useful lives of the related assets but rather at a rate equal to the annual principal reduction of the mortgage.

Other housing land and building costs are amortized over the estimated useful lives of the related assets.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

(c) Transfers to/from housing and agency housing property capital reserves:

Transfers to housing and agency housing property capital reserves are appropriated from operations. Expenditures made from these reserves are reported within these funds and not on the statement of operations. Interest income earned on investments of these reserves are credited directly to the reserves and are not reported on the statement of operations.

(d) Other capital assets:

Other capital assets are recorded at cost. Amortization is provided using the straight-line method over the estimated useful life

Asset	Useful life
Buildings	40 years
Building service equipment	3 years
Leasehold improvements	15 years

The costs incurred for major capital projects are classified separately as construction-in-progress until the project is complete. When complete the costs are transferred to the appropriate capital asset category and amortization commences.

(e) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which includes donations and government grants, except as described in notes (a) to (c) above.

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. 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 that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2010.

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 are recognized as revenue in the year in which the related expenses are recognized. 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.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition (continued):

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Other revenues are recognized when the goods are sold or the service is provided.

### (f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 period. Actual results could differ from those estimates.

## 2. Adoption of new accounting standards:

### *Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations:*

Effective April 1, 2009, the Organization adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenues and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

### *Amendments to Section 1000, Financial Statement Concepts:*

Effective April 1, 2009, the Organization adopted the CICA amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

### 3. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land and buildings -				
Supportive housing	\$ 4,830,160	\$ 1,199,487	\$ 3,630,673	\$ 3,771,226
Land and buildings – housing other	208,255	41,283	166,972	168,173
Land and buildings - other	2,960,042	569,181	2,390,861	2,468,985
Building service equipment	288,123	214,229	73,894	107,014
Construction in progress	2,960,920	–	2,960,920	436,493
Leasehold improvements	848,819	33,010	815,809	–
	<b>\$ 12,096,319</b>	<b>\$ 2,057,190</b>	<b>\$ 10,039,129</b>	<b>\$ 6,951,891</b>

Cost and accumulated amortization as at March 31, 2009 amounted to \$8,733,423 and \$1,781,532 respectively.

### 4. Long-term debt:

	2010	2009
Mortgages payable	\$ 1,434,188	\$ 1,226,441
Less principal included in current liabilities	82,918	443,592
	<b>\$ 1,351,270</b>	<b>\$ 782,849</b>

Mortgages payable are secured by first mortgages on land and buildings. Interest rates range from 2.65% to 6.84%. Maturity dates range from March 2012 to March 2015.

Principal due on long-term debt in each of the next five years and thereafter are as follows:

2011	\$ 82,918
2012	105,160
2013	589,290
2014	44,908
2015	337,746
Thereafter	274,166
	<b>\$ 1,434,188</b>

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

## 5. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2010	2009
Balance, beginning of year	\$ 5,122,558	\$ 5,224,044
Additional contributions received	2,844,670	67,327
Less amounts amortized to revenue	(194,625)	(168,813)
<b>Balance, end of year</b>	<b>\$ 7,772,603</b>	<b>\$ 5,122,558</b>

## 6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	\$ 10,039,129	\$ 6,951,891
Amounts financed by:		
Deferred contributions	(7,772,603)	(5,122,558)
Long-term debt	(1,434,188)	(1,226,441)
	<b>\$ 832,338</b>	<b>\$ 602,892</b>

(b) Change in net assets invested in capital assets is calculated as follows:

	2010	2009
Excess of expenses over revenues:		
Amortization of deferred contributions related to capital assets	\$ 194,625	\$ 168,813
Amortization of capital assets	(286,006)	(244,925)
	<b>\$ (91,381)</b>	<b>\$ (76,112)</b>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 3,373,246	\$ 96,503
Amounts funded by deferred contributions	(2,844,670)	(56,974)
Repayment of long-term debt	88,357	88,157
Borrowing of long-term debt	(296,104)	-
	<b>\$ 320,829</b>	<b>\$ 127,686</b>

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 7. Reserves:

Internally restricted capital reserves are replacement reserves set aside to fund future capital replacements and significant repairs and maintenance to housing properties. Amounts are allocated to these reserves each year as per approved operating budgets.

During the year, expenditures in the amount of \$169,822 (2009 - \$308,977) were charged directly to these capital reserves for both agency and housing properties.

## 8. Pension plan:

The Organization makes contributions to a defined contribution pension plan administered by the Manufacturers Life Insurance Company. Contributions to the plan made during the year on behalf of its employees amounted to \$225,316 (2009 - \$180,837) and are included as an expense in the statement of operations.

## 9. Commitments:

(a) The Organization is committed to the payment of annual rent under the terms of lease agreements as follows:

Location	Lease Expiry	Annual Rent
552 Princess Street	May 31, 2024	\$234,156 to May 31, 2013 \$192,336 to expiry

In addition, the Organization is committed to the payment of additional rent in the form of a proportionate share of common area costs, property taxes and repairs and maintenance.

(b) Lyon Street building project

The Organization is building an independent living facility at 31 Lyon Street.

The new building is targeted for completion by autumn 2010 at a total cost of \$7.2 million, to be financed from various grants and long-term debt financing. Total project expenditures to date total \$2.9 million and are reported on the statement of financial position for the year ended March 31, 2010.

# FRONTENAC COMMUNITY MENTAL HEALTH SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## **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, 2010, the amount of possible loss or the likelihood of loss is not determinable, however management believes that the Organization has valid defenses and appropriate insurance coverage in place and the aggregate amount of any potential liability is not expected to have a material effect on the Organization's financial position.

## **11. Provincial subsidy revenue:**

The provincial operating subsidies are recognized based on approved fiscal allocations by the Ministry of Health and Long-Term Care. Current year unspent fiscal allocations are recognized as accounts payable to the Ministry of Health and Long-Term Care and are adjusted on the statement of operations in the current period. These operating subsidies are also subject to annual fiscal reviews and approval by the Ministry. Any year end adjustments resulting from these reviews will be reflected as an adjustment to revenue on the statement of operations in the year of approval.

## **12. Financial instruments:**

The carrying amounts for cash and term deposits, other receivables, accounts payable and accrued liabilities, accrued wages and vacation and amounts payable to the Ministry of Health and Long-Term Care approximate their fair value because of the short-term maturities of these instruments.

The carrying amount of long-term debt approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from its financial instruments.