

Nine Circles Community Health Centre Inc.
Financial Statements
March 31, 2021

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Activities	3
Statement of Changes in Fund Balances	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13
Schedule of Operating Fund Expenses and Projects	14



200 - 900 Lorimer Boulevard
Winnipeg, Manitoba R3P 2V4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

Independent Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

Opinion

We have audited the accompanying financial statements of Nine Circles Community Health Centre Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of financial activities, changes in fund balances 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 financial statements present fairly, in all material respects, the financial position of Nine Circles Community Health Centre Inc. as at March 31, 2021 and the results of its 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 *Auditors' 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.

Other Information

Management is responsible for the other information which comprises the Organization's annual report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of the auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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.

Independent Auditors' Report - continued

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. 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.



Winnipeg, Canada
May 31, 2021

Chartered Professional Accountants

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31

2021

2020

	Operating Fund	Capital Fund	Ed Mousseau Fund	Total	Total
Revenues					
Winnipeg Regional Health Authority	\$4,645,317	\$ -	\$ -	\$4,645,317	\$4,521,944
Government of Canada	359,177	-	-	359,177	263,742
Grants	173,609	-	-	173,609	80,031
Other	68,066	-	-	68,066	-
Interest income	17,514	-	687	18,201	35,742
Donations	17,247	-	-	17,247	20,018
Amortization of deferred contributions	-	2,500	-	2,500	4,980
	<u>5,280,930</u>	<u>2,500</u>	<u>687</u>	<u>5,284,117</u>	<u>4,926,457</u>
Expenses					
Operating Fund (Page 14)	5,165,820	-	-	5,165,820	4,885,605
Amortization	-	33,523	-	33,523	47,356
	<u>5,165,820</u>	<u>33,523</u>	<u>-</u>	<u>5,199,343</u>	<u>4,932,961</u>
Excess (deficiency) of revenues over expenses before under noted items	115,110	(31,023)	687	84,774	(6,504)
Pre-retirement leave (Note 11)					
(Decrease) increase in funding	(23,881)	-	-	(23,881)	34,906
Decrease (increase) in obligation	25,405	-	-	25,405	(34,906)
Excess (deficiency) of revenues over expenses	<u>\$ 116,634</u>	<u>\$ (31,023)</u>	<u>\$ 687</u>	<u>\$ 86,298</u>	<u>\$ (6,504)</u>

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances

Year Ended March 31				2021	2020
	Operating Fund	Capital Fund	Ed Mousseau Fund	Total	Total
Fund balance, as previously stated	\$ 760,062	\$ 51,051	\$ 24,709	\$ 835,822	\$ 1,030,471
Prior period adjustment	-	-	-	-	(188,145)
Fund balance, as restated	760,062	51,051	24,709	835,822	842,326
Excess (deficiency) of revenues over expenses	116,634	(31,023)	687	86,298	(6,504)
Transfer to Capital Fund for purchase of capital assets	(4,266)	4,266	-	-	-
Fund balance, end of year	<u>\$ 872,430</u>	<u>\$ 24,294</u>	<u>\$ 25,396</u>	<u>\$ 922,120</u>	<u>\$ 835,822</u>

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Financial Position

Year Ended March 31 2021 2020

Assets

Current

Cash and short-term investments (Note 3)	\$1,578,398	\$1,365,035
Receivables (Note 4)	110,250	277,264
Due from Winnipeg Regional Health Authority	250,021	255,893
Prepays	<u>34,641</u>	<u>26,057</u>
	1,973,310	1,924,249
Due from Winnipeg Regional Health Authority (Note 11)	353,897	377,778
Long-term investments	-	143,868
Capital assets (Note 5)	<u>37,778</u>	<u>71,302</u>
	<u>\$2,364,985</u>	<u>\$2,517,197</u>

Liabilities

Current

Payables and accruals	\$ 430,108	\$ 454,352
Government remittances payable	14,148	9,621
Funds held in trust (Note 3)	-	47,360
Deferred contributions		
General operations (Note 6)	491,506	614,731
Current portion of obligations under capital lease (Note 7)	<u>4,267</u>	<u>4,267</u>
	940,029	1,130,331
Deferred contributions		
Related to capital assets (Note 8)	1,039	3,539
Restricted contributions (Note 10)	103,124	119,160
Pre-retirement leave (Note 11)	390,495	415,900
Obligations under capital lease (Note 7)	<u>8,178</u>	<u>12,445</u>
	<u>1,442,865</u>	<u>1,681,375</u>
Fund Balances		
Operating Fund	872,430	760,062
Capital Fund	24,294	51,051
Ed Mousseau Fund	<u>25,396</u>	<u>24,709</u>
	<u>922,120</u>	<u>835,822</u>
	<u>\$2,364,985</u>	<u>\$2,517,197</u>

Commitment (Note 14)
Contingent liability (Note 15)

Approved by the Board

Original Document Signed _____ Director Original Document Signed _____ Director

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Cash Flows

Year Ended March 31

2021**2020**

Cash derived from (applied to):

Operating

Excess (deficiency) of revenues over expenses	\$ 86,298	\$ (6,504)
Amortization of capital assets	33,523	47,356
Amortization of deferred contributions	(2,500)	<u>(4,980)</u>

117,321 35,872

Change in non-cash operating assets and liabilities (Note 9) **(27,523)** (160,989)

89,798 (125,117)

Investing

Interest income reinvested	-	(2,471)
Disposal of long-term investments	143,868	11,104
Purchase of capital assets	<u>-</u>	<u>(22,661)</u>

143,868 (14,028)

Financing

Repayment of capital lease	(4,267)	(4,267)
Disbursement of restricted contributions	<u>(16,036)</u>	<u>(11,102)</u>

(20,303) (15,369)

Net increase (decrease) in cash **213,363** (154,514)

Cash and short-term investments, beginning of year **1,365,035** 1,519,549

Cash and short-term investments, end of year **\$1,578,398** \$1,365,035

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2021

1. Nature of operations

Nine Circles Community Health Centre Inc. (the "Organization") is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	4-5 years	straight-line
Computer equipment	4-5 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	4-10 years	straight-line

Amortization expense is reported in the Capital Fund.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2021

2. Significant accounting policies (continued)

d) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 2.7% (2020 - 3.1%), a rate of salary increase of 3.5% (2020 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

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

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
 March 31, 2021

3. Cash and short-term investments

Cash and short-term investments consist of:

	<u>2021</u>	<u>2020</u>
Cash	\$ 642,797	\$ 396,807
Cash held in trust	-	47,360
Assiniboine Credit Union GIC, bearing interest at 1.10%, (2020 - 1.60%) maturing and renewed annually on March 23rd	<u>935,601</u>	<u>920,868</u>
	<u>\$1,578,398</u>	<u>\$1,365,035</u>

The cash balance is earmarked as follows:

	<u>2021</u>	<u>2020</u>
Operating cash	\$ 983,768	\$ 750,304
Externally restricted cash	<u>594,630</u>	<u>614,731</u>
	<u>\$1,578,398</u>	<u>\$1,365,035</u>

4. Receivables

	<u>2021</u>	<u>2020</u>
Grants receivable	\$ 57,580	\$ 164,776
GST receivable	12,134	12,003
Other receivables	<u>40,536</u>	<u>100,485</u>
	<u>\$ 110,250</u>	<u>\$ 277,264</u>

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Equipment	\$ 253,845	\$ 245,215	\$ 8,630	\$ 20,486
Computer equipment	197,976	183,467	14,509	27,524
Computer software	67,595	65,402	2,193	6,580
Leaseholds	241,157	241,157	-	-
Equipment under capital lease	<u>21,335</u>	<u>8,889</u>	<u>12,446</u>	<u>16,712</u>
	<u>\$ 781,908</u>	<u>\$ 744,130</u>	<u>\$ 37,778</u>	<u>\$ 71,302</u>

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
 March 31, 2021

6. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to subsequent years.

The changes for the year in the deferred contributions balance are as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 614,731	\$ 475,028
Grant revenue recognized during the year	(433,393)	(317,455)
Contributions received during the year	<u>310,168</u>	<u>457,158</u>
Ending balance	<u>\$ 491,506</u>	<u>\$ 614,731</u>

7. Obligations under capital lease

	<u>2021</u>	<u>2020</u>
Obligations under capital lease	\$ 12,445	\$ 16,712
Less: amount representing interest at 0%	<u>-</u>	<u>-</u>
	12,445	16,712
Less: current portion of obligations	<u>4,267</u>	<u>4,267</u>
	<u>\$ 8,178</u>	<u>\$ 12,445</u>

Approximate future minimum lease payments in the next three years are as follows:

2022	\$ 4,267
2023	4,267
2024	<u>3,911</u>
	<u>\$ 12,445</u>

The leases are secured by the underlying assets.

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of \$1,039 (2020 - \$3,539) represent grants and donations for equipment, computer equipment, computer software and leasehold improvements. Deferred contributions are amortized in the Capital Fund on the statement of financial activities.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2021

9. Change in non-cash operating assets and liabilities

	<u>2021</u>	<u>2020</u>
Receivables	\$ 167,014	\$ 5,554
Due from Winnipeg Regional Health Authority	29,753	(102,597)
Prepays	(8,584)	(14,543)
Payables and accruals	(24,243)	(232,525)
Government remittances payable	4,527	(36,487)
Funds held in trust	(47,360)	45,000
Deferred contributions - general operations	(123,225)	139,703
Pre-retirement leave	(25,405)	34,906
	<u>\$ (27,523)</u>	<u>\$ (160,989)</u>

10. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS. During the year, the board decided to allocate the funds to other organizations that supply housing for those living with HIV/AIDS in the amount of \$16,036 (2020 - \$11,102).

11. Pre-retirement leave

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority (WRHA) to record the full obligation. The WRHA calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the WRHA has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to WRHA programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year, the obligation decreased by \$25,405 (2020 - increased by \$34,906).

WHRA funding for pre-retirement benefits for the current year was reduced by \$23,881 (2020 - increased by \$34,906).

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2021

12. Pension

The Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, \$278,912 (2020 - \$291,156) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

13. Economic dependence

The volume of financial activity undertaken by Nine Circles Community Health Centre Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

14. Commitment

The Organization has entered into a lease agreement for its premises expiring on June 30, 2029 with an aggregate minimum annual rental of \$400,327 to the period ending June 30, 2024 and an aggregate minimum annual rental of \$417,733 for the period thereafter.

The minimum lease payments for the next five years are as follows:

2022	\$	400,327
2023		400,327
2024		400,327
2025		413,381
2026		417,733

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2021

15. Contingent liability

During the 2017/18 fiscal year, the Organization was made aware by HEB Manitoba (HEB) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2021 as the Organization and HEB have not accurately determined the amount due from the Organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

The Organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover a portion of the global surplus realized in funded programs.

Any amount repayable or recoverable from WRHA is subject to analysis and negotiations. As the amount cannot be reasonably estimated, no liability or receivable has been recorded. Any amount repayable or recoverable will be accounted for when the amount is determined by WRHA.

16. COVID-19

On March 11, 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak which has continued to spread, and the related adverse impact it has had on public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Due to the uncertainty as to the outcome of the pandemic, an estimate of impairment of financial assets and credit losses cannot be determined, and consequently, no provision for loss has been provided for in these financial statements. It is management's assessment that the going concern assumption continues to be appropriate for the foreseeable future of the Organization.

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects

Year Ended March 31

2021

2020

Salaries	\$2,556,623	\$2,566,951
Contractor fees	138,586	106,777
Physician salaries and benefits	899,858	853,621
Employee benefits (Note 12)	599,589	585,475
Health and education tax	74,932	72,135
Electronic medical records	45,254	44,157
Medical supplies	28,540	36,888
Purchased and professional services	270,070	178,769
Rent (Note 14)	401,463	298,120
Maintenance	70,625	49,812
Travel and course fees	18,179	63,432
General expenses	<u>324,990</u>	<u>266,643</u>
	5,428,709	5,122,780
Less: recoveries	<u>(262,889)</u>	<u>(237,175)</u>
	<u>\$5,165,820</u>	<u>\$4,885,605</u>

See accompanying notes to the financial statements.