

Financial Statements of

**SCARBOROUGH CENTRE FOR
HEALTHY COMMUNITIES**

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Scarborough Centre for Healthy Communities

Opinion

We have audited the financial statements of Scarborough Centre for Healthy Communities (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.



Page 3

- 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 23, 2021

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 5,741,431	\$ 4,448,454
Accounts receivable	556,191	380,628
Prepaid expenses and deposits	181,899	134,833
	<u>6,479,521</u>	<u>4,963,915</u>
Capital assets (note 2)	1,397,495	1,070,091
	<u>\$ 7,877,016</u>	<u>\$ 6,034,006</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 2,406,722	\$ 1,887,630
Ontario Health grant payable (note 8)	2,625,285	2,434,285
Deferred revenue	1,175,150	417,825
	<u>6,207,157</u>	<u>4,739,740</u>
Deferred capital contributions (note 4)	1,240,656	868,966
Net assets:		
General Reserve Fund	272,364	224,175
Funds invested in capital assets	156,839	201,125
	<u>429,203</u>	<u>425,300</u>
Economic dependence (note 11)		
Contingency (note 12)		
	<u>\$ 7,877,016</u>	<u>\$ 6,034,006</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Ontario Health (note 5)	\$ 16,759,478	\$ 14,968,989
United Way of Greater Toronto	527,739	629,322
City of Toronto (note 6)	731,056	764,646
User fees	300,004	639,322
Grants	595,900	446,456
Donations	298,050	93,494
Other	477,411	321,307
	<u>19,689,638</u>	<u>17,863,536</u>
Less deferred capital contributions received from Ontario Health	–	65,834
	<u>19,689,638</u>	<u>17,797,702</u>
Expenditures:		
Salaries and benefits (note 10)	14,385,325	13,117,759
Building occupancy	1,780,498	1,863,586
General program expenses	813,517	789,848
Non-insured:		
Specialist	10,762	23,319
Diagnostic	9,086	33,869
Office and general	809,194	874,830
Other outside services	1,072,100	681,283
Outreach and promotion	35,349	14,294
Professional fees	62,978	54,760
Staff training	84,965	50,480
	<u>19,063,774</u>	<u>17,504,028</u>
Excess of revenue over expenditures before undernoted items	625,864	293,674
Less government grants clawed back (note 8)	561,626	286,567
Excess of revenue over expenditures before other income (expenses)	64,238	7,107
Other income (expenses):		
Previous years' government grants clawed back	–	(19,679)
Amortization of capital assets	(181,489)	(368,986)
Amortization of deferred capital contributions	121,154	116,507
	<u>(60,335)</u>	<u>(272,158)</u>
Excess (deficiency) of revenue over expenditures	\$ 3,903	\$ (265,051)

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021			2020	
	General Reserve Fund	Funds invested in capital assets	Total	Total	
Net assets, beginning of year	\$ 224,175	\$ 201,125	\$ 425,300	\$ 690,351	
Excess (deficiency) of revenue over expenditures	3,903	–	3,903	(265,051)	
Amortization expense	181,489	(181,489)	–	–	
Amortization of deferred capital contributions	(121,154)	121,154	–	–	
Purchase of capital assets	(508,893)	508,893	–	–	
Deferred capital contributions received	492,844	(492,844)	–	–	
Net assets, end of year	\$ 272,364	\$ 156,839	\$ 429,203	\$ 425,300	

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 3,903	\$ (265,051)
Items not involving cash:		
Amortization of capital assets	181,489	368,986
Amortization of deferred capital contributions	(121,154)	(116,507)
Change in non-cash operating working capital:		
Accounts receivable	(175,563)	112,530
Prepaid expenses and deposits	(47,066)	61,973
Accounts payable and accrued liabilities	519,092	402,650
Ontario Health grant payable	191,000	334,181
Deferred revenue	757,325	136,688
	<u>1,309,026</u>	<u>1,035,450</u>
Financing activities:		
Deferred capital contributions received	492,844	161,731
Investing activities:		
Purchase of capital assets	(508,893)	(161,731)
Increase in cash	1,292,977	1,035,450
Cash, beginning of year	4,448,454	3,413,004
Cash, end of year	<u>\$ 5,741,431</u>	<u>\$ 4,448,454</u>

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements

Year ended March 31, 2021

Scarborough Centre for Healthy Communities (the "Organization") was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on June 15, 1977. The Organization is exempt from the payment of income taxes as provided under the Income Tax Act (Canada) as a registered charity.

The Organization is a non-for-profit community health and social services organization. The Organization addresses the physical, mental, social, financial and environmental aspects of health needs of the communities of Scarborough. The Organization operates 40 services across 11 sites, including primary care, services for children, youth and seniors, hospice palliative care, social support programs and health education. For over 40 years, the Organization has worked closely with a variety of community stakeholders to cultivate vital and connected communities:

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The significant accounting policies followed by the Organization are outlined below:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for revenue, whereby restricted sources of revenue are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted sources of revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the amortization rate for the related capital asset.

User fees are recognized when the services are provided and when collectability is reasonably assured.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets with a cost exceeding \$5,000 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Capital are amortized over their estimated useful lives on a straight-line basis, as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Medical equipment	5 years
Vehicles	5 years
Leasehold improvements	Over term of lease

(c) Net assets:

The General Reserve Fund accounts for the Organization's operating and administrative activities.

The funds invested in capital assets represents the net investment in capital assets.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are any indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

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 the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

2. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 652,788	\$ 652,788	\$ –	\$ –
Office equipment	309,044	283,819	25,225	35,316
Computer equipment	93,874	93,874	–	–
Medical equipment	592,822	592,822	–	–
Vehicles	789,514	656,285	133,229	107,047
Leasehold improvements	6,530,400	5,291,359	1,239,041	927,728
	<u>\$ 8,968,442</u>	<u>\$ 7,570,947</u>	<u>\$ 1,397,495</u>	<u>\$ 1,070,091</u>

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities includes the following:

	2021	2020
Payroll deductions	\$ 295,838	\$ 275,956
Employers' health tax payable	106,394	100,381
WSIB payable	9,419	8,524
	<u>\$ 411,651</u>	<u>\$ 384,861</u>

4. Deferred capital contributions:

Deferred capital contributions represents funding received for capital asset acquisitions that are being amortized.

Revenue is recognized over the life of the capital assets on the same basis as amortization. Accordingly, deferred capital contributions equal the corresponding net book value of funded capital assets.

	2021	2020
Balance, beginning of year	\$ 868,966	\$ 823,742
Funding received	492,844	161,731
Amortization of deferred capital contributions	(121,154)	(116,507)
Balance, end of year	<u>\$ 1,240,656</u>	<u>\$ 868,966</u>

5. Ontario Health funding:

Funding provided by Ontario Health relates to the following:

	2021	2020
Community Health Centre	\$ 12,300,500	\$ 10,963,177
Community Support Services	2,481,859	2,414,616
Palliative Care	312,788	312,785
Assisted Living	631,820	573,362
Mental Health and Addictions	425,542	422,299
Acquired Brain Injury	606,969	282,750
	<u>\$ 16,759,478</u>	<u>\$ 14,968,989</u>

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. City of Toronto funding:

Funding provided by the City of Toronto relates to the following:

	2021	2020
Community Service Partnership	\$ 199,975	\$ 195,935
Furniture Bank	184,819	184,419
Homelessness	92,522	85,020
Early ON Centre	129,438	155,016
Other	124,302	144,256
	<u>\$ 731,056</u>	<u>\$ 764,646</u>

7. Commitments:

The Organization has entered into commitments for property leases, office equipment and internet services, with minimum annual payments for the next five years and thereafter as follows:

2022	\$ 1,850,136
2023	1,859,042
2024	1,680,595
2025	1,657,551
2026	1,639,329
Thereafter	7,673,306
	<u>\$ 16,359,959</u>

8. Ontario Health grant payable:

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 approved by Ontario Health.

As at the date of these financial statements, funding for the period of April 1, 2020 to March 31, 2021 has not been subject to Ontario Health's review process. Any adjustments required as a result of this review, will be accounted for in the year of settlement. As at March 31, 2021, the Organization has recorded a payable to Ontario Health totaling \$2,625,285 (2020 - \$2,434,285) on account of unspent funding.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Ontario Health grant payable (continued):

	2021	2020
Unspent funding - 2017/2018	\$ –	\$ 370,440
Unspent funding - 2018/2019	1,777,092	1,777,278
Unspent funding - 2019/2020	286,567	286,567
Unspent funding - 2020/2021	561,626	–
	<u>\$ 2,625,285</u>	<u>\$ 2,434,285</u>

9. Financial instrument risk:

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk arising from its accounts receivable. This risk is not changed from the prior year.

(b) General economic risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, COVID-19 pandemic has been impacted the global economic environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and the Organization's response to the COVID-19 pandemic has an operational and financial impact on the Organization. The full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

10. Pension plan:

The Organization participates in a Group Registered Pension Plan. The assets of the plan are held separately from those of the Organization in an independently administered fund. The pension expense is equal to the contributions paid by the Organization. The contributions paid and expensed by the Organization for the year amounted to \$294,263 (2020 - \$267,356).

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Pension plan (continued):

During 2021, the Organization became a member of Healthcare of Ontario Pension Plan, which is a defined benefit multi-employer contributory pension plan. The plan is accounting for as a defined contribution plan. Contributions to the plan made during the year by the Organization on behalf of its employees amounted to \$183,049 (2020 - nil) and are included in salaries and benefits expenses in the statement of operations. The most recent actuarial valuation of the plan as at December 31, 2020 indicated the plan is 119% funded.

11. Economic dependence:

The Organization receives the majority of its revenue in the form of grants from Ontario Health. In management's opinion, the Organization's continued operations are dependent on the continuance of these grants.

12. Contingency:

The Organization is a defendant in an application for a claim from a former employee. Legal counsel of the Organization has objected the application. It is not possible at this time to determine whether any liability will result from this application, and therefore, no provision has been made in the financial statements.