

**Scarborough Centre for Healthy
Communities**
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's 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 "Organization"), which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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)

Auditor's Responsibilities for the Audit of the Financial Statements (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 19, 2019

Scarborough Centre for Healthy Communities
Statement of Financial Position

March 31 **2019** **2018**

Assets

Current

Cash	\$ 3,413,004	\$ 1,603,540
Accounts receivable	493,158	473,854
Prepaid expenses and deposits	<u>196,806</u>	<u>127,267</u>
	4,102,968	2,204,661

Capital assets (Note 2) 1,277,346 1,710,255

\$ 5,380,314 **\$ 3,914,916**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 3)	\$ 1,484,980	\$ 1,276,502
Central East Local Health Integration Network grant payable (Note 8)	<u>2,100,104</u>	658,607
Deferred revenue	<u>281,137</u>	<u>131,381</u>
	3,866,221	2,066,490

Deferred capital contributions (Note 4) 823,742 789,338

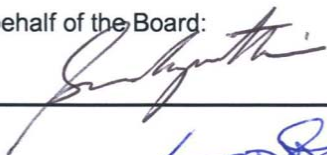
4,689,963 2,855,828

Net assets

General Reserve Fund	236,747	138,171
Funds Invested in Capital Assets	<u>453,604</u>	<u>920,917</u>
	690,351	1,059,088

\$ 5,380,314 **\$ 3,914,916**

On behalf of the Board:


 _____ Director


 _____ Director

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

Scarborough Centre for Healthy Communities Statement of Operations

For the year ended March 31	2019	2018
Revenue		
Central East Local Health Integration Network (Note 5)	\$ 14,282,044	\$ 11,272,411
United Way of Greater Toronto	773,167	770,806
City of Toronto (Note 6)	668,948	644,795
User fees	636,637	584,013
Grants	253,214	136,858
Donations	87,794	102,152
Other	245,447	236,132
	<u>16,947,251</u>	13,747,167
Less: Deferred capital contributions received	<u>(156,646)</u>	-
	<u>16,790,605</u>	13,747,167
Expenditures		
Salaries and benefits	11,288,346	10,067,115
Building occupancy	1,498,220	1,484,627
General program expenses	607,547	627,811
Non-insured - specialist	34,115	18,304
- diagnostic	41,338	39,843
Office and general	720,021	540,754
Other outside services	566,514	476,314
Outreach and promotion	24,731	25,911
Professional fees	69,840	80,703
Staff training	64,079	39,657
	<u>14,914,751</u>	13,401,039
Excess of revenue over expenditures before undernoted items	1,875,854	346,128
Less: Government grants clawed back (Note 8)	<u>(1,777,278)</u>	<u>(323,012)</u>
Excess of revenue over expenditures before other income (expenses)	98,576	23,116
Other income (expenses)		
Amortization of capital assets	(589,555)	(552,197)
Amortization of deferred capital contributions	122,242	117,590
	<u>122,242</u>	117,590
Deficiency of revenue over expenditures	\$ (368,737)	\$ (411,491)

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

Scarborough Centre for Healthy Communities
Statement of Changes in Net Assets

For the year ended March 31

			2019	2018
	General Reserve Fund	Funds Invested in Capital Assets	Total	Total
Net assets, beginning of year	\$ 138,171	\$ 920,917	\$1,059,088	\$1,470,579
Deficiency of revenue over expenditures	(368,737)	-	(368,737)	(411,491)
Amortization expense	589,555	(589,555)	-	-
Amortization of deferred capital contributions	(122,242)	122,242	-	-
Purchase of capital assets	(156,646)	156,646	-	-
Deferred capital contributions received	156,646	(156,646)	-	-
Net assets, end of year	\$ 236,747	\$ 453,604	\$ 690,351	\$1,059,088

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

Scarborough Centre for Healthy Communities Statement of Cash Flows

For the year ended March 31	2019	2018
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	\$ (368,737)	\$ (411,491)
Adjustments required to reconcile deficiency of revenue over expenditures for the year with net cash provided by operating activities		
Amortization of capital assets	589,555	552,197
Amortization of deferred capital contributions	(122,242)	(117,590)
Changes in non-cash working capital balances		
Accounts receivable	(19,304)	(79,590)
Prepaid expenses and deposits	(69,539)	(24,853)
Accounts payable and accrued liabilities	208,478	278,649
Central East Local Health Integration Network grant payable	1,441,497	6,853
Deferred revenue	149,756	124,234
	1,809,464	328,409
Investing activity		
Purchase of capital assets	(156,646)	-
Financing activity		
Deferred capital contributions received	156,646	-
Increase in cash during the year	1,809,464	328,409
Cash, beginning of year	1,603,540	1,275,131
Cash, end of year	\$ 3,413,004	\$ 1,603,540

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

Scarborough Centre for Healthy Communities

Notes to Financial Statements

March 31, 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

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 as a registered charity.

Scarborough Centre for Healthy Communities is a not-for-profit community health and social services organization. The Organization addresses the physical, mental, social, financial and environmental aspects of health and delivery of a diverse range of health and social services to meet the holistic 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.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives 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 the term of the lease

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 expenses are incurred. Unrestricted sources of revenue are recognized as revenue when received.

User fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

Scarborough Centre for Healthy Communities

Notes to Financial Statements

March 31, 2019

1. Nature of Organization and Significant Accounting Policies (continued)

Use of 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting year. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

2. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 652,788	\$ 651,670	\$ 652,788	\$ 649,433
Office equipment	309,043	263,638	258,593	258,593
Computer equipment	478,800	478,800	478,800	475,846
Medical equipment	592,823	585,242	592,823	582,177
Vehicles	672,557	611,440	613,680	586,718
Leasehold improvements	5,976,733	4,814,608	5,929,414	4,263,076
	\$ 8,682,744	\$ 7,405,398	\$ 8,526,098	\$ 6,815,843
Net book value		\$ 1,277,346		\$ 1,710,255

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2019

3. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes the following:

	2019	2018
Payroll deductions	\$ 302,230	\$ 221,476
Employers' Health Tax payable	16,347	9,434
WSIB payable	14,585	14,181
	\$ 333,162	\$ 245,091

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.

	2019	2018
Balance , beginning of year	\$ 789,338	\$ 906,928
Funding received	156,646	-
Amortization of deferred capital contributions	(122,242)	(117,590)
Balance , end of year	\$ 823,742	\$ 789,338

5. Central East Local Health Integration Network Funding

Funding provided by the Central East Local Health Integration Network relates to the following:

	2019	2018
Community Health Centre	\$ 10,671,934	\$ 8,079,680
Community Support Services	1,788,968	1,785,889
Palliative Care	825,481	734,816
Assisted Living	573,362	537,799
Mental Health and Addictions	422,299	134,227
	\$ 14,282,044	\$ 11,272,411

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2019

6. City of Toronto Funding

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

	2019	2018
Community Service Partnership	\$ 191,750	\$ 187,806
Furniture Bank	184,419	184,419
Homelessness	85,020	85,020
Early ON Centre	123,857	114,036
Other	83,902	73,514
	\$ 668,948	\$ 644,795

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:

2020	\$ 1,486,621
2021	1,502,717
2022	1,363,738
2023	1,371,231
2024	1,250,411
Thereafter	6,627,960
	\$ 13,602,678

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2019

8. Central East Local Health Integration Network Grant Payable

The Organization receives funding from the Central East Local Health Integration Network (the "CE-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 CE-LHIN.

As at the date of these financial statements, funding for the period of April 1, 2018 to March 31, 2019 has not been subject to the CE-LHIN'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, 2019 the Organization has recorded a payable to the CE-LHIN totalling \$2,100,104 (2018 - \$658,607) on account of unspent funding.

	<u>2019</u>	<u>2018</u>
Unspent funding - 2016/2017	\$ -	\$ 335,595
Unspent funding - 2017/2018	323,012	323,012
Unspent funding - 2018/2019	1,777,278	-
	<u>\$ 2,100,290</u>	<u>\$ 658,607</u>

9. Financial Instrument Risk

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 has not changed from the prior year.

10. 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.