

Financial Statements of

**SCARBOROUGH CENTRE FOR
HEALTHY COMMUNITIES**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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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, 2020
- 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, 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 "***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.

Other Matter - Comparative Information

The financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 19, 2019.



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Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the 2020 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2020 Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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.



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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.

- 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.



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- 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 17, 2020

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 4,448,454	\$ 3,413,004
Accounts receivable	380,628	493,158
Prepaid expenses and deposits	134,833	196,806
	<u>4,963,915</u>	<u>4,102,968</u>
Capital assets (note 2)	1,070,091	1,277,346
	<u>\$ 6,034,006</u>	<u>\$ 5,380,314</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,887,630	\$ 1,484,980
Central East Local Health Integration Network grant payable (note 8)	2,434,285	2,100,104
Deferred revenue	417,825	281,137
	<u>4,739,740</u>	<u>3,866,221</u>
Deferred capital contributions (note 4)	868,966	823,742
Net assets:		
General Reserve Fund	224,175	236,747
Funds invested in capital assets	201,125	453,604
	<u>425,300</u>	<u>690,351</u>
Economic dependence (note 11)		
Contingency (note 12)		
Subsequent event (note 13)		
	<u>\$ 6,034,006</u>	<u>\$ 5,380,314</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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Central East Local Health Integration Network (note 5)	\$ 14,968,989	\$ 14,282,044
United Way of Greater Toronto	629,322	773,167
City of Toronto (note 6)	764,646	668,948
User fees	639,322	636,637
Grants	446,456	253,214
Donations	93,494	87,794
Other	321,307	245,447
	<u>17,863,536</u>	<u>16,947,251</u>
Less deferred capital contributions received from Central East Local Health Integration Network	65,834	156,646
	<u>17,797,702</u>	<u>16,790,605</u>
Expenditures:		
Salaries and benefits (note 10)	13,117,759	11,288,346
Building occupancy	1,863,586	1,498,220
General program expenses	789,848	607,547
Non-insured:		
Specialist	23,319	34,115
Diagnostic	33,869	41,338
Office and general	874,830	720,021
Other outside services	681,283	566,514
Outreach and promotion	14,294	24,731
Professional fees	54,760	69,840
Staff training	50,480	64,079
	<u>17,504,028</u>	<u>14,914,751</u>
Excess of revenue over expenditures before undernoted items	293,674	1,875,854
Less government grants clawed back (note 8)	286,567	1,777,278
Excess of revenue over expenditures before other income (expenses)	7,107	98,576
Other income (expenses):		
Previous years' government grants clawed back	(19,679)	–
Amortization of capital assets	(368,986)	(589,555)
Amortization of deferred capital contributions	116,507	122,242
	<u>(272,158)</u>	<u>(467,313)</u>
Deficiency of revenue over expenditures	\$ (265,051)	\$ (368,737)

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

			2020	2019
	General Reserve Fund	Funds invested in capital assets	Total	Total
Net assets, beginning of year	\$ 236,747	\$ 453,604	\$ 690,351	\$ 1,059,088
Deficiency of revenue over expenditures	(265,051)	–	(265,051)	(368,737)
Amortization expense	368,986	(368,986)	–	–
Amortization of deferred capital contributions	(116,507)	116,507	–	–
Purchase of capital assets	(161,731)	161,731	–	–
Deferred capital contributions received	161,731	(161,731)	–	–
Net assets, end of year	\$ 224,175	\$ 201,125	\$ 425,300	\$ 690,351

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditures	\$ (265,051)	\$ (368,737)
Items not involving cash:		
Amortization of capital assets	368,986	589,555
Amortization of deferred capital contributions	(116,507)	(122,242)
Change in non-cash operating working capital:		
Accounts receivable	112,530	(19,304)
Prepaid expenses and deposits	61,973	(69,539)
Accounts payable and accrued liabilities	402,650	208,478
Central East Local Health Integration Network grant payable	334,181	1,441,497
Deferred revenue	136,688	149,756
	<u>1,035,450</u>	<u>1,809,464</u>
Financing activities:		
Deferred capital contributions received	161,731	156,646
Investing activities:		
Purchase of capital assets	(161,731)	(156,646)
Increase in cash	1,035,450	1,809,464
Cash, beginning of year	3,413,004	1,603,540
Cash, end of year	<u>\$ 4,448,454</u>	<u>\$ 3,413,004</u>

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements

Year ended March 31, 2020

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, 2020

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, 2020

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. Significant items subject to such estimates and assumptions include the useful lives of capital assets. Actual results could differ from those estimates.

2. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 652,788	\$ 652,788	\$ –	\$ 1,118
Office equipment	309,044	273,728	35,316	45,405
Computer equipment	478,800	478,800	–	–
Medical equipment	592,822	592,822	–	7,581
Vehicles	738,391	631,344	107,047	61,117
Leasehold improvements	6,072,630	5,144,902	927,728	1,162,125
	<u>\$ 8,844,475</u>	<u>\$ 7,774,384</u>	<u>\$ 1,070,091</u>	<u>\$ 1,277,346</u>

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities includes the following:

	2020	2019
Payroll deductions	\$ 275,956	\$ 302,230
Employers' health tax payable	100,381	16,347
WSIB payable	8,524	14,585
	<u>\$ 384,861</u>	<u>\$ 333,162</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.

	2020	2019
Balance, beginning of year	\$ 823,742	\$ 789,338
Funding received	161,731	156,646
Amortization of deferred capital contributions	(116,507)	(122,242)
Balance, end of year	<u>\$ 868,966</u>	<u>\$ 823,742</u>

5. Central East Local Health Integration Network funding:

Funding provided by the Central East Local Health Integration Network ("CE-LHIN") relates to the following:

	2020	2019
Community Health Centre	\$ 10,963,177	\$ 10,671,934
Community Support Services	2,143,376	1,788,968
Palliative Care	866,775	825,481
Assisted Living	573,362	573,362
Mental Health and Addictions	422,299	422,299
	<u>\$ 14,968,989</u>	<u>\$ 14,282,044</u>

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. City of Toronto funding:

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

	2020	2019
Community Service Partnership	\$ 195,935	\$ 191,750
Furniture Bank	184,419	184,419
Homelessness	85,020	85,020
Early ON Centre	155,016	123,857
Other	144,256	83,902
	<u>\$ 764,646</u>	<u>\$ 668,948</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:

2021	\$ 1,451,000
2022	1,472,200
2023	1,481,100
2024	1,298,400
2025	1,275,300
Thereafter	4,987,500
	<u>\$ 11,965,500</u>

8. Central East Local Health Integration Network grant payable:

The Organization receives funding from 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 approved by the CE-LHIN.

As at the date of these financial statements, funding for the period of April 1, 2019 to March 31, 2020 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, 2020, the Organization has recorded a payable to the CE-LHIN totaling \$2,434,285 (2019 - \$2,100,104) on account of unspent funding.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Central East Local Health Integration Network grant payable (continued):

	2020	2019
Unspent funding - 2017/2018	\$ 370,440	\$ 322,826
Unspent funding - 2018/2019	1,777,278	1,777,278
Unspent funding - 2019/2020	286,567	–
	<hr/>	<hr/>
	\$ 2,434,285	\$ 2,100,104

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 is not changed from the prior year.

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 \$267,356 (2019 - \$187,879).

11. Economic dependence:

The Organization receives the majority of its revenue in the form of grants from CE-LHIN. 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.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Subsequent event:

Prior to March 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact. At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- the adherence to guidance documents from levels of authority, appropriate protective personal equipment supply and use, screening, signage and human resource management;
- the implementation of a telework policy for staff to work remotely; and
- the implementation of virtual programming for clients.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items is not practicable at this time.