Financial Statements of

# SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

And Independent Auditor's Report thereon

Year ended March 31, 2023

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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 Entity), which comprise:

- the statement of financial position as at March 31, 2023
- 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, 2023, 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 auditor's 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.

## *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 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 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 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, 2023

# SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Financial Position

March 31, 2023, with comparative information for 2022

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash | $ | 5,347,638 | $ | 6,566,412 |
| Accounts receivable | | 846,729 | | 760,716 |
| Prepaid expenses and deposits | | 291,013 | | 173,812 |
| | | 6,485,380 | | 7,500,940 |
| Capital assets (note 2) | | 1,220,367 | | 1,321,732 |
| | $ | 7,705,747 | $ | 8,822,672 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities (note 3) | $ | 2,238,954 | $ | 2,484,011 |
| Ontario Health grant payable (note 8) | | 2,780,161 | | 3,321,438 |
| Deferred revenue | | 1,114,102 | | 1,379,191 |
| | | 6,133,217 | | 7,184,640 |
| Deferred capital contributions (note 4) | | 1,132,112 | | 1,203,103 |
| Net assets: | | | | |
| General Reserve Fund | | 352,163 | | 316,300 |
| Funds invested in capital assets | | 88,255 | | 118,629 |
| | | 440,418 | | 434,929 |
| Economic dependence (note 11) | | | | |
| Contingency (note 12) | | | | |
| | $ | 7,705,747 | $ | 8,822,672 |

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, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| Revenue: | | |
| Ontario Health (note 5) | $ 18,820,991 | $ 18,387,646 |
| City of Toronto (notes 6 and 13) | 1,786,606 | 1,873,696 |
| Grants | 954,140 | 788,063 |
| United Way Greater Toronto (note 13) | 484,021 | 494,733 |
| Federal funding | 409,127 | 246,283 |
| User fees | 384,370 | 347,849 |
| Donations | 317,457 | 292,855 |
| Other | 931,149 | 355,422 |
| | 24,087,861 | 22,786,547 |
| Expenses: | | |
| Salaries and benefits (notes 10 and 13) | 17,321,521 | 16,346,885 |
| Building occupancy | 2,368,829 | 1,974,124 |
| Other outside services | 1,586,242 | 1,399,497 |
| General program expenses | 1,449,521 | 1,042,314 |
| Office and general | 755,225 | 973,142 |
| Staff training | 62,637 | 128,144 |
| Professional fees | 93,605 | 90,474 |
| Outreach and promotion | 59,827 | 39,119 |
| Non-insured: | | |
| Specialist | 19,538 | 28,477 |
| Diagnostic | 27,412 | 24,281 |
| | 23,744,357 | 22,046,457 |
| Excess of revenue over expenses before undernoted items | 343,504 | 740,090 |
| Less government grants clawed back (note 8) | 306,990 | 696,154 |
| Excess of revenue over expenses before other income (expenses) | 36,514 | 43,936 |
| Other income (expenses): | | |
| Amortization of capital assets | (297,257) | (283,644) |
| Amortization of deferred capital contributions | 266,232 | 245,434 |
| | (31,025) | (38,210) |
| Excess of revenue over expenses | $ 5,489 | $ 5,726 |

See accompanying notes to financial statements.

# SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES
Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

| | | | 2023 | 2022 |
|---|---|---|---|---|
| | General Reserve Fund | Funds invested in capital assets | Total | Total |
| Net assets, beginning of year | $ 316,300 | $ 118,629 | $ 434,929 | $ 429,203 |
| Excess of revenue over expenses | 5,489 | – | 5,489 | 5,726 |
| Amortization of capital assets | 297,257 | (297,257) | – | – |
| Amortization of deferred capital contributions | (266,232) | 266,232 | – | – |
| Purchase of capital assets | (195,892) | 195,892 | – | – |
| Deferred capital contributions received | 195,241 | (195,241) | – | – |
| Net assets, end of year | $ 352,163 | $ 88,255 | $ 440,418 | $ 434,929 |

See accompanying notes to financial statements.

# SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | $ 5,489 | $ 5,726 |
| Items not involving cash: | | |
| Amortization of capital assets | 297,257 | 283,644 |
| Amortization of deferred capital contributions | (266,232) | (245,434) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (86,013) | (204,525) |
| Prepaid expenses and deposits | (117,201) | 8,087 |
| Accounts payable and accrued liabilities | (245,057) | 77,289 |
| Ontario Health grant payable | (541,277) | 696,153 |
| Deferred revenue | (265,089) | 204,041 |
| | (1,218,123) | 824,981 |
| Financing activities: | | |
| Deferred capital contributions received | 195,241 | 207,881 |
| Investing activities: | | |
| Purchase of capital assets | (195,892) | (207,881) |
| Increase (decrease) in cash | (1,218,774) | 824,981 |
| Cash, beginning of year | 6,566,412 | 5,741,431 |
| Cash, end of year | $ 5,347,638 | $ 6,566,412 |

See accompanying notes to financial statements.

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 10 sites, including primary care, services for children, youth and seniors, hospice palliative care, social support programs and health education. For over 45 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 expenses 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.

## 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 expenses. 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 assets 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.

**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 expenses during the year. Actual results could differ from those estimates.

**2. Capital assets:**

| | Cost | Accumulated amortization | 2023 Net book value | 2022 Net book value |
|---|---|---|---|---|
| Furniture and fixtures | $ 652,788 | $ (652,788) | $ – | $ – |
| Office equipment | 309,044 | (303,999) | 5,045 | 15,136 |
| Computer equipment | 478,800 | (478,800) | – | – |
| Medical equipment | 592,822 | (592,822) | – | – |
| Vehicles | 789,515 | (726,619) | 62,896 | 98,062 |
| Leasehold improvements | 6,934,172 | (5,781,746) | 1,152,426 | 1,208,534 |
| | $ 9,757,141 | $ (8,536,774) | $ 1,220,367 | $ 1,321,732 |

## 3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities includes the following:

| | 2023 | 2022 |
|---|---|---|
| Payroll deductions | $ 358,324 | $ 352,234 |
| WSIB payable | 12,357 | 11,421 |
| Employers' health tax payable | 5,433 | 114,406 |
| | $ 376,114 | $ 478,061 |

## 4. Deferred capital contributions:

Deferred capital contributions represent 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.

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | $ 1,203,103 | $ 1,240,656 |
| Funding received | 195,241 | 207,881 |
| Amortization of deferred capital contributions | (266,232) | (245,434) |
| Balance, end of year | $ 1,132,112 | $ 1,203,103 |

## 5. Ontario Health funding:

Funding provided by Ontario Health relates to the following:

| | 2023 | 2022 |
|---|---|---|
| Community Health Centre | $ 14,079,038 | $ 13,795,020 |
| Community Support Services | 2,543,897 | 2,410,546 |
| Acquired Brain Injury | 751,027 | 729,352 |
| Assisted Living | 694,969 | 622,235 |
| Mental Health and Addictions | 422,299 | 513,072 |
| Palliative Care | 329,761 | 317,421 |
| | $ 18,820,991 | $ 18,387,646 |

## 6. City of Toronto funding:

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

| | 2023 | 2022 |
|---|---|---|
| Community Service Partnership | $ 206,015 | $ 201,975 |
| Furniture Bank | 211,664 | 184,418 |
| EarlyON Program (note 13) | 136,020 | 122,816 |
| Homelessness | 53,643 | 85,022 |
| EarlyON Innovation | 40,610 | – |
| Other | 1,138,654 | 1,279,465 |
| | $ 1,786,606 | $ 1,873,696 |

## 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:

| | |
|---|---|
| 2024 | $ 1,978,026 |
| 2025 | 1,960,632 |
| 2026 | 1,958,904 |
| 2027 | 1,878,992 |
| 2028 | 1,530,370 |
| Thereafter | 8,410,301 |
| | $ 17,717,225 |

## 8. Ontario Health grant payable:

The Organization receives funding from Ontario Health to assist with the expenses 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, 2022 to March 31, 2023 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, 2023, the Organization has recorded a payable to Ontario Health totaling $2,780,161 (2022 - $3,321,438) on account of unspent funding.

**8. Ontario Health grant payable (continued):**

| | 2023 | 2022 |
|---|---|---|
| Unspent funding - 2018/2019 | $ 1,777,092 | $ 1,777,092 |
| Unspent funding - 2019/2020 | – | 286,567 |
| Unspent funding - 2020/2021 | – | 561,626 |
| Unspent funding - 2021/2022 | 696,153 | 696,153 |
| Unspent funding - 2022/2023 | 306,916 | – |
| | $ 2,780,161 | $ 3,321,438 |

**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 $52,987 (2022 - $74,140).

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 accounted for as a defined contribution plan. Contributions to the plan made during the year by the Organization on behalf of its employees amounted to $961,864 (2022 - $834,896) 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, 2022 indicated the plan is 117% 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.

## 13. City of Toronto EarlyON Program:

Statement of Revenue and Expenses:

| 2023 | EarlyON budget | EarlyON actual | Variance |
|---|---|---|---|
| Revenue: | | | |
| City of Toronto | $ 136,316 | $ 136,020 | $ (296) |
| United Way Greater Toronto | 107,855 | 108,955 | 1,100 |
| | 244,171 | 244,975 | 804 |
| Expenses: | | | |
| Salary and wages | 166,334 | 157,790 | (8,544) |
| Benefits | 31,968 | 34,952 | 2,984 |
| Administration salaries | 23,429 | 23,429 | – |
| Total salaries and benefits | 221,731 | 216,171 | (5,560) |
| Program related | 2,750 | 6,361 | 3,611 |
| Utilities/maintenance | 6,389 | 10,524 | 4,135 |
| Office related | 9,390 | 8,173 | (1,217) |
| Professional fees | 2,561 | 3,287 | 726 |
| Professional development | 1,350 | 459 | (891) |
| Total program costs | 22,440 | 28,804 | 6,364 |
| Total operating expenses | 244,171 | 244,975 | 804 |
| Excess of revenue over expenses | $ – | $ – | $ – |

## 13. City of Toronto EarlyON Program (continued):

Statement of Revenue and Expenses:

| 2022 | EarlyON budget | EarlyON actual | Variance |
|---|---|---|---|
| Revenue: | | | |
| City of Toronto | $ 121,307 | $ 122,816 | $ 1,509 |
| United Way Greater Toronto | 116,843 | 111,205 | (5,638) |
| | 238,150 | 234,021 | (4,129) |
| Expenses: | | | |
| Salary and wages | 147,272 | 158,725 | 11,453 |
| Benefits | 39,133 | 32,192 | (6,941) |
| Administration salaries | 22,605 | 22,465 | (140) |
| Total salaries and benefits | 209,010 | 213,382 | 4,372 |
| Program related | 6,519 | 2,158 | (4,361) |
| Utilities/maintenance | 6,389 | 10,141 | 3,752 |
| Office related | 13,882 | 12,621 | (1,261) |
| Professional fees | 750 | 7,500 | 6,750 |
| Professional development | 1,600 | – | (1,600) |
| Total program costs | 29,140 | 32,420 | 3,280 |
| Total operating expenses | 238,150 | 245,802 | 7,652 |
| Deficiency of revenue over expenses | $ – | $ (11,781) | $ (11,781) |

## 14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.