Financial Statements of

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

And Independent Auditors' Report thereon

Year ended March 31, 2022

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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, 2022
- 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, 2022, 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.

- 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 29, 2022

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES
Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	$ 6,566,412	$ 5,741,431
Accounts receivable	760,716	556,191
Prepaid expenses and deposits	173,812	181,899
	7,500,940	6,479,521
Capital assets (note 2)	1,321,732	1,397,495
	$ 8,822,672	$ 7,877,016
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 2,484,011	$ 2,406,722
Ontario Health grant payable (note 8)	3,321,438	2,625,285
Deferred revenue	1,379,191	1,175,150
	7,184,640	6,207,157
Deferred capital contributions (note 4)	1,203,103	1,240,656
Net assets:		
General Reserve Fund	316,300	272,364
Funds invested in capital assets	118,629	156,839
	434,929	429,203
Economic dependence (note 11)		
Contingency (note 12)		
Subsequent event (note 13)		
	$ 8,822,672	$ 7,877,016

See accompanying notes to financial statements.

On behalf of the Board:

Jeffrey Wong Director

Director

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Ontario Health (note 5)	$ 18,387,646	$ 16,759,478
City of Toronto (note 6)	1,873,696	731,056
Grants	788,063	595,900
United Way of Greater Toronto	494,733	527,739
User fees	347,849	300,004
Donations	292,855	298,050
Other	601,705	477,411
	22,786,547	19,689,638
Expenditures:		
Salaries and benefits (note 10)	16,346,885	14,385,325
Building occupancy	1,974,124	1,780,498
Other outside services	1,399,497	1,072,100
General program expenses	1,042,314	813,517
Office and general	973,142	809,194
Staff training	128,144	84,965
Professional fees	90,474	62,978
Outreach and promotion	39,119	35,349
Non-insured:		
Specialist	28,477	10,762
Diagnostic	24,281	9,086
	22,046,457	19,063,774
Excess of revenue over expenditures before undernoted items	740,090	625,864
Less government grants clawed back (note 8)	696,154	561,626
Excess of revenue over expenditures before other income (expenses)	43,936	64,238
Other income (expenses):		
Amortization of capital assets	(283,644)	(181,489)
Amortization of deferred capital contributions	245,434	121,154
	(38,210)	(60,335)
Excess of revenue over expenditures	$ 5,726	$ 3,903

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	General Reserve Fund	Funds invested in capital assets	2022 Total	2021 Total
Net assets, beginning of year	$ 272,364	$ 156,839	$ 429,203	$ 425,300
Excess of revenue over expenditures	5,726	–	5,726	3,903
Amortization expense	283,644	(283,644)	–	–
Amortization of deferred capital contributions	(245,434)	245,434	–	–
Purchase of capital assets	(207,881)	207,881	–	–
Deferred capital contributions received	207,881	(207,881)	–	–
Net assets, end of year	$ 316,300	$ 118,629	$ 434,929	$ 429,203

See accompanying notes to financial statements.

SCARBOROUGH CENTRE FOR HEALTHY COMMUNITIES
Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 5,726	$ 3,903
Items not involving cash:		
Amortization of capital assets	283,644	181,489
Amortization of deferred capital contributions	(245,434)	(121,154)
Change in non-cash operating working capital:		
Accounts receivable	(204,525)	(175,563)
Prepaid expenses and deposits	8,087	(47,066)
Accounts payable and accrued liabilities	77,289	519,092
Ontario Health grant payable	696,153	191,000
Deferred revenue	204,041	757,325
	824,981	1,309,026
Financing activities:		
Deferred capital contributions received	207,881	492,844
Investing activities:		
Purchase of capital assets	(207,881)	(508,893)
Increase in cash	824,981	1,292,977
Cash, beginning of year	5,741,431	4,448,454
Cash, end of year	$ 6,566,412	$ 5,741,431

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 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.

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.

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:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 652,788	$ 652,788	$ –	$ –
Office equipment	309,045	293,909	15,136	25,225
Computer equipment	478,800	478,800	–	–
Medical equipment	592,822	592,822	–	–
Vehicles	789,515	691,453	98,062	133,229
Leasehold improvements	6,738,280	5,529,746	1,208,534	1,239,041
	$ 9,561,250	$ 8,239,518	$ 1,321,732	$ 1,397,495

3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities includes the following:

	2022	2021
Payroll deductions	$ 352,234	$ 295,838
Employers' health tax payable	114,406	106,394
WSIB payable	11,421	9,419
	$ 478,061	$ 411,651

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.

	2022	2021
Balance, beginning of year	$ 1,240,656	$ 868,966
Funding received	207,881	492,844
Amortization of deferred capital contributions	(245,434)	(121,154)
Balance, end of year	$ 1,203,103	$ 1,240,656

5. Ontario Health funding:

Funding provided by Ontario Health relates to the following:

	2022	2021
Community Health Centre	$ 13,795,020	$ 12,300,500
Community Support Services	2,410,546	2,481,859
Acquired Brain Injury	729,352	606,969
Assisted Living	622,235	631,820
Mental Health and Addictions	513,072	425,542
Palliative Care	317,421	312,788
	$ 18,387,646	$ 16,759,478

6. City of Toronto funding:

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

	2022	2021
Community Service Partnership	$ 201,975	$ 199,975
Furniture Bank	184,418	184,819
EarlyON Centre	122,816	129,438
Homelessness	85,022	92,522
Other	1,279,465	124,302
	$ 1,873,696	$ 731,056

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:

2023	$ 2,068,445
2024	1,908,361
2025	1,885,318
2026	1,877,939
2027	1,878,992
Thereafter	9,676,462
	$ 19,295,517

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, 2021 to March 31, 2022 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, 2022, the Organization has recorded a payable to Ontario Health totaling $3,321,438 (2021 - $2,625,285) on account of unspent funding.

8. Ontario Health grant payable (continued):

	2022	2021
Unspent funding - 2018/2019	$ 1,777,092	$ 1,777,092
Unspent funding - 2019/2020	286,567	286,567
Unspent funding - 2020/2021	561,626	561,626
Unspent funding - 2021/2022	696,153	–
	$ 3,321,438	$ 2,625,285

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 $74,140 (2021 - $294,263).

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 $834,896 (2021 - $183,049) 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, 2021 indicated the plan is 120% 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. Subsequent event:

In the subsequent period, the Organization became eligible to receive $90,773 in funding from Ontario Health through the Temporary Retention Incentive for Nurses program. The program provides direct incentives to nursing staff who have worked with the Organization during the period from February 13, 2022 to March 19, 2022 and were employed by the Organization as at March 31, 2022. The Organization is eligible to receive this funding through an existing funding relationship between the Organization and Ontario Health that existed as at the year-end. The monies are allocated to the Organization who then pays the incentive directly to the nursing staff. A receivable has been set up for the receipt of monies from Ontario Health, and a liability has been set up for the obligation to the eligible nursing staff, to be paid by the Organization.