

**Scarborough Centre for Healthy
Communities
Financial Statements
For the year ended March 31, 2014**

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Independent Auditor's Report

To the Board of Directors of Scarborough Centre for Healthy Communities

We have audited the accompanying financial statements of Scarborough Centre for Healthy Communities, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scarborough Centre for Healthy Communities as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of Scarborough Centre for Healthy Communities for the year ended March 31, 2013 were audited by another auditor who expressed a qualified opinion for the completeness of donations on those statements on June 19, 2013.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
June 17, 2014

**Scarborough Centre for Healthy Communities
Statement of Financial Position**

March 31 **2014** **2013**

Assets

Current

Cash	\$ 1,090,993	\$ 606,645
Short-term investments (Note 3)	219,691	-
Accounts receivable	415,993	900,501
Prepaid expenses and deposits	113,094	47,429
	1,839,771	1,554,575

Long-term investments (Note 3)

Capital assets (Note 4)

	-	215,325
	4,194,914	4,850,919
	\$ 6,034,685	\$ 6,620,819

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 930,676	\$ 662,590
Ministry of Health and Long-term Care grant payable	-	17,500
Central East Local Health Integration Network grant payable	466,712	603,888
Deferred revenue	5,018	54,154
	1,402,406	1,338,132

Deferred capital contributions (Note 6)

	1,234,282	1,268,512
	2,636,688	2,606,644

Net assets

General Reserve Fund	318,898	313,301
Capital Expenditure Reserve Fund	89,630	89,630
Emergent Program Reserve Fund	28,837	28,837
Funds Invested in Capital Assets	2,960,632	3,582,407
	3,397,997	4,014,175
	\$ 6,034,685	\$ 6,620,819

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	2014	2013
Revenue		
Federal government grant	\$ -	\$ 32,552
Provincial government		
Central East Local Health Integration Network (Note 9)	9,881,269	7,926,260
Ministry of Health and Long-term Care (Note 9)	47,700	1,505,812
City of Toronto (Note 7)	423,103	406,271
United Way of Greater Toronto	735,417	700,042
User fees	495,556	374,395
Foundation grants	74,398	46,573
Donations	61,688	73,361
Other	204,019	339,686
	<u>11,923,150</u>	<u>11,404,952</u>
Less: Deferred capital contributions received	(109,834)	(315,000)
	<u>11,813,316</u>	<u>11,089,952</u>
Expenditures		
Salaries and benefits	8,573,564	7,705,534
Building occupancy	1,308,837	1,004,557
Other outside services	480,935	558,765
General program expenses	424,208	476,160
Office and general	443,924	525,181
Governance	5,617	4,023
Non-insured - specialist	49,274	60,902
- diagnostic	65,899	59,314
Non-recurring expenses	144,648	80,064
Professional fees	97,823	138,848
Promotion and publicity	56,990	28,698
Staff training	35,034	61,605
	<u>11,686,753</u>	<u>10,703,651</u>
Excess of revenue over expenditures before undernoted items	126,563	386,301
Less: Government grants payable	(120,966)	(383,988)
	5,597	2,313
Other income (expenses)		
Amortization of capital assets	(765,839)	(758,003)
Amortization of deferred capital contributions	144,064	124,708
Deficiency of revenue over expenditures	\$ (616,178)	\$ (630,982)

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

	2014			2013	
	General Reserve Fund	Capital Expenditure Reserve Fund	Emergent Program Reserve Fund	Funds Invested in Capital Assets	Total
Net assets, beginning of year as previously reported	\$ 659,047	\$ 89,630	\$ 28,837	\$ 4,850,919	\$ 4,701,157
Prior period adjustments (Note 2)	(345,746)	-	-	(1,268,512)	(1,614,258)
Net assets, beginning of year	313,301	89,630	28,837	3,582,407	4,014,175
Deficiency of revenue over expenditures	(616,178)	-	-	-	(616,178)
Amortization expense	765,839	-	-	(765,839)	-
Amortization of deferred capital contributions	(144,064)	-	-	144,064	-
Net assets, end of year	\$ 318,898	\$ 89,630	\$ 28,837	\$ 2,960,632	\$ 3,397,997
					\$ 4,014,175

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	2014	2013
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	\$ (616,178)	\$ (630,982)
Adjustments required to reconcile deficiency of revenue over expenditures for the year with net cash provided by operating activities		
Amortization of capital assets	765,839	758,003
Deferred capital contributions	(144,064)	(124,708)
Changes in non-cash working capital balances		
Accounts receivable	484,508	(465,225)
Prepaid expenses and deposits	(65,665)	62,620
Accounts payable and accrued liabilities	268,086	(567,524)
Ministry of Health and Long-term Care grant payable	(17,500)	(405,791)
Central East Local Health Integration Network grant payable	(137,176)	(412,345)
Deferred revenue	(49,136)	(355,342)
	<u>488,714</u>	<u>(2,141,294)</u>
Investing activities		
Purchase of capital assets	(109,834)	(1,999,479)
Purchase of investments	(4,366)	(215,325)
	<u>(114,200)</u>	<u>(2,214,804)</u>
Financing activity		
Deferred capital contributions received	109,834	1,337,220
Increase (decrease) in cash during the year	484,348	(3,018,878)
Cash, beginning of year	606,645	3,625,523
Cash, end of year	\$ 1,090,993	\$ 606,645

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

Scarborough Centre for Healthy Communities

Notes to Financial Statements

March 31, 2014

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. As a not-for-profit organization, the Organization is exempt from the payment of income taxes as provided under the Income Tax Act as a registered charity.

The Organization is a community health and social services organization, and its mission is to eliminate barriers to healthcare for Scarborough's vulnerable and at-risk population.

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
Vehicle	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, such as donations, are recognized as revenue when received.

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

Revenue which has been restricted to fund specific projects and programs and remains unspent at the end of the fiscal year, has been deferred and will be recognized as the related expenses are incurred.

Allocation of Grant-Related Expenditures

The allocation of grant related expenditures with respect to the building is based upon the squarefoot usage of the program to which it is allocated. The allocation of grant-related expenditures with respect to administrative expenses is based on actual expenditures subject to a performance target allowed by the Central East Local Health Integration Network.

Scarborough Centre for Healthy Communities

Notes to Financial Statements

March 31, 2014

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

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.

The Capital Expenditure Reserve Fund has been established by members' resolution. The fund is intended to be used for any capital purposes not funded by an alternative source subject to Board approval. No expenditures were charged to the fund during fiscal 2014 or 2013.

The Emergent Program Reserve Fund has been established by the Organization's Board of Directors. The fund is intended to provide emergency funding subject to Board approval. No expenditures were charged to the fund during fiscal 2014 or 2013.

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

Investments are reported at fair value. All other 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 expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2014

2. Prior Period Adjustments

a) The Organization received a leasehold inducement from FCHT Holdings (Ontario) Corporation with respect to building renovations at the 629 Markham Road location restricted for leasehold improvements totalling \$622,120. The Organization also received a grant from the Ontario Trillium Foundation for \$470,100 and other funding of \$315,000 for the purchase of capital assets related to building renovations, equipment, vehicle and technology. A portion of the Ontario Trillium Foundation grant was received in fiscal 2012. These amounts were previously recorded in the Statement of Operations as revenue. As these amounts related to the funding of capital asset additions, they have been restated as deferred capital contributions in the statement of financial position.

The adjustments are as follows:

	2013	2012	Total
Deferred capital contributions received	\$ 1,337,220	\$ 70,000	\$ 1,407,220
Amortization of deferred capital contributions	(124,708)	(14,000)	(138,708)
	\$ 1,212,512	\$ 56,000	\$ 1,268,512

Increase in deferred capital contributions	\$1,268,512
Decrease in Funds Invested in Capital Assets	\$1,268,512
Decrease in revenue	\$1,212,512
Increase in amortization of deferred capital contributions	\$124,708
Decrease in expenditures	\$1,337,220

Deferred capital contributions for the leasehold improvements are amortized over the term of the lease, while the contributions received for equipment, vehicle and technology are amortized over the same period as the related capital assets.

b) The Organization was reassessed by the Central East Local Health Integration Network related to the 2013 annual reconciliation report. This reassessment resulted in a \$345,746 payable. The adjustment is as follows:

Increase in Central East Local Health Integration Network grant repayable	\$345,746
Decrease in the General Reserve Fund	\$345,746

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2014

3. Investments

The Guaranteed Investment Certificate (GIC) is non-redeemable, earns interest at 2.06% (2013 - 2.06%) and matures April 2014 (2013 - April 2014). Since the GIC is non-redeemable and for a 2 year term, it was classified as long-term in 2013. In 2014, the GIC matures one month after year end, therefore it has been classified as short-term.

4. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 641,606	\$ 461,839	\$ 641,607	\$ 385,977
Office equipment	258,593	233,275	258,593	212,422
Computer equipment	468,773	410,249	445,516	362,303
Medical equipment	577,496	473,026	577,496	431,507
Vehicle	532,407	419,630	488,669	364,762
Leasehold improvements	5,908,212	2,194,154	5,865,373	1,669,364
	\$ 8,387,087	\$ 4,192,173	\$ 8,277,254	\$ 3,426,335
Net book value		\$ 4,194,914		\$ 4,850,919

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes the following:

	2014	2013
Payroll deductions	\$ 102,105	\$ 77,379
Employers' Health Tax Payable	6,247	2,770
WSIB payable	8,693	8,044
	\$ 117,045	\$ 88,193

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2014

6. 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.

	2014	2013
Balance , beginning of year	\$ 1,268,512	\$ 56,000
Funding received	109,834	1,337,220
Amortization of deferred capital contributions	(144,064)	(124,708)
Balance , end of year	\$ 1,234,282	\$ 1,268,512

7. City of Toronto Funding

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

	2014	2013
Community Service Partnership (CSP)	\$ 172,645	\$ 165,990
Furniture Bank	44,768	44,324
Homelessness	55,239	55,239
Family Resource Centre (FRC)	100,424	100,360
Other	50,027	40,358
	\$ 423,103	\$ 406,271

Scarborough Centre for Healthy Communities Notes to Financial Statements

March 31, 2014

8. 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:

2015	\$ 1,257,052
2016	1,091,502
2017	937,914
2018	926,603
2019	898,290
Thereafter	5,371,926

9. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.

In the prior year, the Diabetes Program was funded by the Ministry of Health and Long-term Care, but in the current year, the program was funded by the Central East Local Health Integration Network.