

Financial statements of

**Sherbourne Health Centre
Corporation**

March 31, 2015

Sherbourne Health Centre Corporation

March 31, 2015

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Independent Auditor's Report

To the Board of Directors of
Sherbourne Health Centre Corporation

We have audited the accompanying financial statements of Sherbourne Health Centre Corporation which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in fund balances (deficit), 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 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 Sherbourne Health Centre Corporation as at March 31, 2015 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 2, 2015

Sherbourne Health Centre Corporation

Statement of financial position as at March 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	1,021,402	20,232
Accounts receivable	452,622	317,516
Prepaid expenses	288,602	219,820
Inventory	7,053	11,405
	<u>1,769,679</u>	<u>568,973</u>
Capital assets (Note 3)	18,798,525	19,531,798
	<u>20,568,204</u>	<u>20,100,771</u>
Liabilities		
Current liabilities		
Accounts payable and accrued charges (Note 4)	1,713,387	1,044,322
Deferred revenue (Note 5)	517,797	492,165
	<u>2,231,184</u>	<u>1,536,487</u>
Deferred capital contributions (Note 6)	18,062,479	18,752,191
	<u>20,293,663</u>	<u>20,288,678</u>
Fund balances (deficit)		
Invested in capital assets	736,046	779,607
Internally restricted (Note 7)	50,000	50,000
Unrestricted	(511,505)	(1,017,514)
	<u>274,541</u>	<u>(187,907)</u>
	<u>20,568,204</u>	<u>20,100,771</u>

Approved by the Board

Amanda Cato Director

Maal Waver Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Sherbourne Health Centre Corporation

Statement of operations year ended March 31, 2015

	2015	2014
	\$	\$
Revenue		
Ministry of Health and Long-Term Care ("MoHLTC") and Toronto Central Local Health Integration Network ("Toronto Central LHIN") funding	8,021,665	7,421,485
Family Health Team	2,888,026	2,859,107
MoHLTC Health Research Grants	1,019,043	1,100,000
Fundraising	341,268	319,131
Other grants and guarantors	186,095	67,883
Supporting Communities Partnership Initiative	64,104	49,146
Other revenue and recoveries	211,131	296,991
Amortization of deferred capital contributions (Note 6)	985,926	1,060,111
	13,717,258	13,173,854
Expenses		
Primary care and Family Health Team (Note 8)	4,284,414	4,070,567
LGBT primary care	1,880,874	1,665,688
Infirmery	1,500,873	1,453,821
Building services and utilities	1,372,162	1,214,205
Rainbow Health Ontario	875,243	1,083,149
Health bus/mobile	560,812	554,751
Information systems	575,280	549,456
Administration	489,006	453,106
Human resources	315,709	345,760
Finance	266,252	294,127
Fundraising	81,233	96,134
Communications	22,609	13,802
Naturopathic clinic	856	12,000
Amortization of capital assets	1,029,487	1,095,828
	13,254,810	12,902,394
Excess of revenue over expenses	462,448	271,460

The accompanying notes to the financial statements are an integral part of this financial statement.

Sherbourne Health Centre Corporation

Statement of changes in fund balances (deficit)

year ended March 31, 2015

				2015	2014
	Unrestricted	Invested in capital assets	Internally restricted (Note 7)	Total	Total
	\$	\$	\$	\$	\$
Fund balances (deficit), beginning of year	(1,017,514)	779,607	50,000	(187,907)	(459,367)
Excess of revenue over expenses	506,009	(43,561)	-	462,448	271,460
Additions to capital assets	(296,214)	296,214	-	-	-
Deferred capital contributions received	296,214	(296,214)	-	-	-
Fund balances (deficit), end of year	(511,505)	736,046	50,000	274,541	(187,907)

The accompanying notes to the financial statements are an integral part of this financial statement.

Sherbourne Health Centre Corporation

Statement of cash flows year ended March 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenues over expenses	462,448	271,460
Items not affecting cash		
Amortization of capital assets	1,029,487	1,095,828
Amortization of deferred capital contributions	(985,926)	(1,060,111)
	506,009	307,177
Changes in non-cash working capital items related to operations		
Accounts receivable	(135,106)	76,692
Prepaid expenses	(68,782)	18,005
Inventory	4,352	26,565
Accounts payable and accrued charges	669,065	(320,753)
Deferred revenue	25,632	(35,027)
	1,001,170	72,659
Investing activity		
Additions to capital assets	(296,214)	(82,566)
Financing activities		
Deferred capital contributions received	296,214	60,052
Decrease in line of credit	-	(32,574)
	296,214	27,478
Increase in cash during the year	1,001,170	17,571
Cash, beginning of year	20,232	2,661
Cash, end of year	1,021,402	20,232

The accompanying notes to the financial statements are an integral part of this financial statement.

Sherbourne Health Centre Corporation

Notes to the financial statements

March 31, 2015

1. Description of business

The Sherbourne Health Centre Corporation (the "Corporation") was established under the laws of the Province of Ontario to provide outpatient services for residents of southeast Toronto. Services of the Corporation are focused on meeting the health needs of residents living in the five neighbourhoods in close proximity to the Corporation (the Church Wellesley Neighbourhood, St. Jamestown, Cabbagetown, Regent Park and Moss Park) and on developing special services for local residents who are disadvantaged with regard to their health. Services include a primary health care clinic, specialized health programs for members of the gay, lesbian, bisexual or transgendered community, mental health services and an infirmary and mobile health services for people who are homeless and newcomer community. The Corporation also engages in service partnerships with other health service agencies and promotes positive social change through advocacy and community development activities. The ultimate vision of the Corporation is a healthy southeast Toronto community where all people have equal opportunity for good health.

The Corporation is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("MoHLTC"). The Board of Directors recognizes the Corporation's ongoing dependency on the MoHLTC as the primary funding sources for the Corporation's operating activities.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using the deferral method for reporting restricted contributions and include the following significant accounting policies:

Financial instruments

The Corporation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date at amortized cost.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss shall be recognized in the Statement of operations for the period.

Revenue recognition

Restricted contributions are deferred and recorded as revenue when the related expenses are incurred. Operating funding from the MoHLTC and Toronto Central LHIN is recorded as revenue in the period to which it relates. Other unrestricted revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. Amortization is computed by the declining-balance method using the following annual rates as established by the Canadian Institute of Health Information Management Information System Guidelines, which approximate the estimated useful lives of the assets:

Office furniture and equipment	20%
Computer and medical equipment	30%
Computer software	33.3%
Building	4%

Inventory

Inventory is recorded at lower of cost and replacement cost.

Deferred capital contributions

Grants for the purchase of capital assets are recorded as deferred capital contributions and recorded as revenue at the same rate as the amortization of the related assets.

Sherbourne Health Centre Corporation

Notes to the financial statements

March 31, 2015

2. Significant accounting policies (continued)

Contributed materials and services

A substantial number of volunteers contribute a significant amount of time each year to the Corporation. Due to the difficulty in determining the fair value, those contributed services are not recognized or disclosed in the financial statements. Contributed materials are recorded at fair value when received.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include amortization expense, accrued charges, allowance for doubtful accounts and deferred revenue.

3. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	1,227,269	1,012,941	214,328	272,044
Computer and medical equipment	3,913,013	3,623,976	289,037	439,706
Building	26,570,636	8,275,476	18,295,160	18,820,048
	31,710,918	12,912,393	18,798,525	19,531,798

Commencing in 2015 computer software has been grouped with computer and medical equipment. The 2014 net book value of computer of software of \$118,247 has been reclassified to computer and medical equipment to conform with current year presentation.

4. Accounts payable and accrued liabilities

Amounts owing to government funders

Included in accounts payable and accruals is \$153,110 (2014 - \$57,470) with respect to amounts owing to government funders:

	2015	2014
	\$	\$
Rainbow Health Ontario MoHLTC	80,957	-
Toronto Central LHIN	59,608	37,201
Diabetes MoHLTC	6,292	715
Family Health Team MoHLTC	5,126	-
Hep C MoHLTC	1,127	19,554
	153,110	57,470

Government remittances

Included in accounts payable and accruals is \$60,856 (2014 - \$51,887) with respect to government remittances payable at year end.

Sherbourne Health Centre Corporation

Notes to the financial statements

March 31, 2015

5. Deferred revenue

Deferred revenue comprises the following:

	2015	2014
	\$	\$
Rainbow Health Ontario and LGBT Grants	499,025	437,783
Other charitable grants	18,772	54,382
	<u>517,797</u>	<u>492,165</u>

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of operations.

Continuity of deferred capital contributions is as follows:

	2015	2014
	\$	\$
Balance, beginning of year	18,752,191	19,752,250
Amounts received during the year	296,214	60,052
	<u>19,048,405</u>	<u>19,812,302</u>
Less: amounts amortized	985,926	1,060,111
Balance, end of year	<u>18,062,479</u>	<u>18,752,191</u>

7. Internally restricted funds

During 2014, the Corporation received a donation from a private foundation in the amount of \$50,000. The Board has internally restricted this amount to be used for future renovations to the Corporation's facilities.

8. Allocation of expenses included in Primary care and Family Health Team

The Corporation records its expenses by function. Costs, including salaries and benefits, that relate directly to each function are charged directly to that function. Certain costs relating to Plant Maintenance, Information Technology and Security are subject to allocation to the Family Health Team function on the following basis:

- Costs of Plant Maintenance, Information Technology and Security are allocated based on a predetermined formula as agreed to with the MoHLTC.

The allocated expenses of these three functions included in Primary care and Family Health Team expenses of \$4,284,414 (2014 - \$4,070,567) are as follows:

	2015	2014
	\$	\$
Plant maintenance, hydro and utilities	289,256	238,952
Information technology	66,561	66,561
Security	48,343	48,343
	<u>404,160</u>	<u>353,856</u>

Sherbourne Health Centre Corporation

Notes to the financial statements

March 31, 2015

9. Pension plan

The Corporation makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer plan, on behalf of all full-time employees. HOOPP is a defined benefit plan that specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Pension expense for the year amounted to \$501,203 (2014 - \$485,297).

The most recent actuarial valuation of HOOPP as at December 31, 2014 indicated that the plan was fully funded.

10. Commitments

The Corporation leases office equipment under various operating leases. The total amount committed at March 31, 2015 was \$172,905. Minimum annual lease payments are as follows:

	\$
2016	133,448
2017	39,457
2018 and thereafter	-
	<hr/> 172,905

11. Guarantees

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee. The Corporation's primary guarantees subject to the disclosure requirements are as follows:

- (a) Indemnity has been provided to all directors and or officers of the Corporation for various items including, but not limited to, all costs to settle suits or actions due to association with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Corporation.
- (b) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the agreements.

The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements.

12. Financial instrument and risk management

The Corporation, through its financial assets and liabilities has exposure to credit risk from its use of financial instruments.

Credit risk

The Corporation's financial assets are cash and accounts receivable, both of which are subject to credit risk. The carrying amounts of financial assets on the statements of financial position represent the Corporation's maximum credit exposure at the reporting date.

The Corporation's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the statements of financial position are net of allowance for doubtful accounts, estimated by the management of the Corporation based on previous experience and its assessment of the current economic environment.