

Thames Valley Children's Centre

Financial statements

March 31, 2021



Independent auditor's report

To the Board of Directors of
Thames Valley Children's Centre

Opinion

We have audited the financial statements of **Thames Valley Children's Centre** [the "Centre"], which comprise the statement of financial position as at March 31, 2021, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2021, 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 report. We are independent of the Centre 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 these 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 Centre'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 Centre'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 Centre's 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.

We 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.

London, Canada
May 31, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Thames Valley Children's Centre

Incorporated without share capital under the laws of Ontario

Statement of financial position

As at March 31

	2021	2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	5,009,302	3,154,780
Investments <i>[note 6]</i>	9,380,171	8,219,378
Accounts receivable <i>[note 14]</i>	727,990	575,152
Other assets	42,754	191,281
Total current assets	15,160,217	12,140,591
Capital assets, net <i>[note 4]</i>	8,800,334	9,513,362
Long-term lease <i>[note 5]</i>	66	67
	23,960,617	21,654,020
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 12]</i>	3,235,621	2,707,404
Due to Ministry of Children, Community and Social Services <i>[note 13]</i>	3,650,733	2,524,175
Current portion of term loan <i>[note 7]</i>	—	—
Current portion of deferred contributions <i>[note 8]</i>	2,107,141	1,660,161
Total current liabilities	8,993,495	6,891,740
Deferred contributions <i>[note 8]</i>	7,931,242	8,679,896
Total liabilities	16,924,737	15,571,636
Commitments <i>[note 16]</i>		
Net assets		
Internally restricted net assets <i>[note 9]</i>	5,470,963	5,470,963
Unrestricted net assets	1,564,917	611,421
Total net assets	7,035,880	6,082,384
	23,960,617	21,654,020

See accompanying notes

Thames Valley Children's Centre

Statement of operations

Year ended March 31

	2021			2020	
	Government sponsored programs	Community funds	Contracted services	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Ministry of Children, Community and Social Services <i>[note 13]</i>					
Rehabilitation	8,235,393	—	—	8,235,393	8,254,559
Autism	13,523,478	—	—	13,523,478	15,164,397
Grey Bruce Preschool Speech & Language	709,872	—	—	709,872	680,190
School-Based Rehabilitation Services	4,384,566	—	—	4,384,566	4,410,275
Early Intervention Programs	3,402,546	—	—	3,402,546	1,974,651
Ministry of Health and Long-Term Care					
Priority programs	702,781	—	—	702,781	698,290
Other agencies	97,823	27,574	—	125,397	195,614
Fees for service	15,587	70	1,737,052	1,752,709	2,474,647
Fundraising grant and special purpose donations	—	1,017,708	—	1,017,708	992,542
Investment income (loss) <i>[note 6]</i>	2,815	1,212,711	—	1,215,526	(125,680)
Amortization of deferred capital contributions <i>[note 8[b]]</i>	303,470	490,550	—	794,020	814,543
Other	142,553	258	—	142,811	283,683
	31,520,884	2,748,871	1,737,052	36,006,807	35,817,711
Program expenses <i>[notes 2 and 3]</i>					
Clinical and technical specialty services	3,771,051	50,880	934,176	4,756,107	4,894,936
Early childhood, school age and adolescent services	5,376,497	364,818	703,279	6,444,594	7,149,667
Grey Bruce Preschool Speech & Language	719,146	—	—	719,146	720,579
Autism services	13,524,332	—	—	13,524,332	15,186,945
School-Based Rehabilitation Services	4,029,606	—	—	4,029,606	4,413,824
Early Intervention Programs	3,796,782	—	—	3,796,782	1,993,979
Research	—	268,825	—	268,825	291,020
Community resources	—	567,637	—	567,637	571,575
Special purposes	—	265	—	265	4,625
Amortization of capital assets	303,470	642,547	—	946,017	926,007
	31,520,884	1,894,972	1,637,455	35,053,311	36,153,157
Excess (deficiency) of revenue over expenses for the year	—	853,899	99,597	953,496	(335,446)

See accompanying notes

Thames Valley Children's Centre

Statement of changes in net assets

Year ended March 31

	2021		2020
	Internally restricted	Unrestricted	Total
	\$	\$	\$
	<i>[note 9]</i>		
Net assets, beginning of year	5,470,963	611,421	6,082,384
Excess (deficiency) of revenue over expenses for the year	—	953,496	953,496
Net assets, end of year	5,470,963	1,564,917	7,035,880
			6,082,384

See accompanying notes

Thames Valley Children's Centre

Statement of cash flows

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	953,496	(335,446)
Add (deduct) items not affecting cash		
Amortization of capital assets	946,017	926,007
Unrealized (gain) loss on investments <i>[note 6]</i>	(140,803)	909,584
Amortization of deferred capital contributions <i>[note 8[b]]</i>	(794,020)	(814,543)
Decrease in long-term lease <i>[note 5]</i>	1	1
Deferred contributions recognized as revenue	(2,260,234)	(238,250)
Increase in deferred contributions	2,712,430	566,798
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	1,650,464	286,971
Cash provided by operating activities	3,067,351	1,301,122
Financing activities		
Deferred capital contributions received related to capital assets <i>[note 8[b]]</i>	40,150	167,427
Cash provided by financing activities	40,150	167,427
Investing activities		
Investment funds reinvested	(1,019,990)	(665,204)
Additions to capital assets	(232,989)	(346,603)
Cash used in investing activities	(1,252,979)	(1,011,807)
Net increase in cash during the year	1,854,522	456,742
Cash and cash equivalents, beginning of year	3,154,780	2,698,038
Cash and cash equivalents, end of year	5,009,302	3,154,780

See accompanying notes

Thames Valley Children's Centre

Notes to financial statements

March 31, 2021

1. Purpose of the organization

Thames Valley Children's Centre [the "Centre"] is a treatment centre providing habilitation and rehabilitation services for children and youth with communication, developmental or physical challenges living primarily in Southwestern Ontario. The Centre is incorporated without share capital under the *Corporations Act* (Ontario) and is a registered charity under the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out accounting standards for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Basis of presentation

The operations of the Centre have been presented in three categories for the information of the reader.

Government-sponsored programs account for the Centre's clinical program delivery and administrative activities that are financed by provincial ministries and other agencies, certain fees for service and other operating revenue. Any funding in excess of expenses is refunded to the funder.

Community funds account for activities funded by monies received from general donations, bequests and special fundraising events [note 15], investment income from the investment portfolio and other income generated by these activities. The expenses are related to programs or expenses not funded by the government. Externally funded research projects are also included in this category.

Contracted services account for activities that are provided on a fee for service basis. It is the intention that the fees entirely offset the costs of the programs.

The programs delivered by the Centre are described below:

Clinical and technical specialty services: provides seating, augmentative communication, adaptive technology, cleft lip and palate, medical clinics and gait analysis services to children from birth through young adulthood throughout Southwestern Ontario. Acute pediatric rehabilitative services at Children's Hospital at London Health Sciences Centre are also provided through this program.

Early childhood, school age and adolescent services: uses an interdisciplinary team approach to provide rehabilitation and habilitation services for children and their families from birth through young adulthood. Acquired brain injury outreach and preschool speech are also provided through this program.

Autism services: provides autism intervention program, school support, connections for students and community-based applied behaviour analysis-based services. These programs are now collectively referred to as the Ontario Autism Program.

Research: assists clinical staff in implementing research projects through consultation, education and the provision of resources.

Thames Valley Children's Centre

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Community resources: includes the resource centre that provides access to health-related information for families, staff and community partners; a specialized pool of equipment; the volunteer program, which coordinates the recruiting of volunteers from the community and placement in appropriate positions in the Centre; and coordination and support of the Opportunities to Participate programs.

Expenses for special purposes: funds that have been donated to the Centre for a specific purpose.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Unrestricted contributions and fundraising grants and bequests are recognized as revenue when received or receivable if the amount to be received can be estimated and collectability is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are recognized. Capital contributions for the purpose of acquiring capital assets are deferred and amortized on the same basis and over the same periods as the related capital assets. Fees for service are recognized when the services have been rendered.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations.

Capital assets and amortization

All capital assets reflected in the statement of financial position are recorded at acquisition cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Tangible

Building	10 to 40 years
Furniture, fixtures and office equipment	5 years
Therapy and rehab equipment	5 years
Computer equipment	3 years

Intangible

Computer software	3 years
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Allocation of expenses

The costs of personnel and other expenses directly related to functions are allocated to each function. The Centre also incurs general support expenses that are common to the administration of the Centre and each of its functions. Certain of these expenses are allocated to functions identified in note 3.

The allocated expenses include those related to senior management, human resources, finance, information systems, facility resources, communication and clinical records. These expenses are allocated proportionately based on personnel hours incurred, building space occupied or percentage of overall operating costs incurred.

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Multi-employer plans

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Centre has insufficient information to apply defined benefit plan accounting.

Credit facilities

Credit facilities are initially measured at fair value, net of transaction costs and financing fees. They are subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets. Actual results could differ from those estimates.

Impact of COVID-19 pandemic

During the year, the outbreak of the novel strain of coronavirus disease ["COVID-19"] resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruptions to business globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments, nor the impact on the financial position and financial results of the Centre in future periods.

Financial instruments

The Centre has elected to record all investments at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments include accounts receivable, accounts payable and accrued liabilities initially recorded at fair value and subsequently at amortized cost, net of provisions.

Thames Valley Children's Centre

Notes to financial statements

March 31, 2021

3. Allocation of expenses

Central administration costs have been allocated as follows:

	2021	2020
	\$	\$
Clinical and technical specialty services	914,693	967,716
Early childhood, school age and adolescent services	2,210,337	1,695,824
Autism services	1,620,038	1,753,636
Research	25,949	24,901
Community resources	87,295	84,611
	4,858,312	4,526,688

4. Capital assets

Capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Tangible assets				
Building	19,698,772	11,326,889	19,690,782	10,663,687
Furniture, fixtures and office equipment	2,327,387	2,255,102	2,298,002	2,218,575
Therapy and rehab equipment	629,822	596,321	623,006	570,015
Computer equipment	2,442,203	2,180,605	2,253,406	2,040,082
	25,098,184	16,358,917	24,865,196	15,492,359
Intangible assets				
Computer software	558,978	497,911	558,978	418,453
	25,657,162	16,856,828	25,424,174	15,910,812
Less accumulated amortization	16,856,828		15,910,812	
Net book value	8,800,334		9,513,362	

5. Long-term lease

A long-term lease for the use of land has been entered into between the Centre and London Health Sciences Centre. The term of the lease is 99 years with payments of \$1 to be made on an annual basis. The amount has been prepaid and 66 years [2020 – 67 years] remain in the term.

Thames Valley Children's Centre

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6. Investments

Investments, all of which are recorded at fair value, have an asset mix as follows:

	2021	2020
	\$	\$
Money market funds	465,250	1,129,971
Bond funds	3,877,112	3,235,579
Canadian equity funds	2,090,649	1,954,872
Global and US equity funds	2,947,160	1,898,956
	9,380,171	8,219,378

Investment income (loss) consists of the following:

	2021		2020	
	Government sponsored programs	Community funds	Total	Total
	\$	\$	\$	\$
Dividends and interest	2,815	185,008	187,823	328,538
Net realized and unrealized gains (losses)	—	1,027,703	1,027,703	(454,218)
	2,815	1,212,711	1,215,526	(125,680)

Included in the above is an unrealized gain on investments of \$140,803 [2020 – unrealized loss of \$909,584].

7. Credit facilities and term loan

The credit facilities consist of a variable rate revolving demand facility of \$1,000,000 [2020 – \$1,000,000] bearing interest at a prime rate of 2.45% [2020 – 2.45%] minus 0.25% [2020 – 0.25%]. No amount has been drawn on this facility at year-end.

Thames Valley Children's Centre

Notes to financial statements

March 31, 2021

8. Deferred contributions

Deferred contributions consist of the following:

	2021	2020
	\$	\$
Related to expenses of future periods [a]	1,318,337	866,141
Related to capital assets [b]	8,720,046	9,473,916
	<u>10,038,383</u>	<u>10,340,057</u>
Less current portion	2,107,141	1,660,161
	<u>7,931,242</u>	<u>8,679,896</u>

The Centre's estimate of the amount of deferred contributions to be recognized in the next fiscal year is included in the current amount.

[a] Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods are as follows:

	2021	2020
	\$	\$
Balance, beginning of year	866,141	537,593
Add amounts received related to future periods	2,712,430	566,798
Less amounts recognized as revenue during the year	2,260,234	238,250
Balance, end of year	1,318,337	866,141

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2021	2020
	\$	\$
Balance, beginning of year	9,473,916	10,121,032
Additional contributions received	40,150	167,427
Less amounts amortized to revenue	794,020	814,543
Balance, end of year	8,720,046	9,473,916

Thames Valley Children's Centre

Notes to financial statements

March 31, 2021

9. Internally restricted net assets

Internally restricted net assets consist of the following:

	2021	2020
	\$	\$
Funds restricted for other Board of Directors designated purposes	<u>5,470,963</u>	<u>5,470,963</u>

Funds restricted for Board of Directors designated purposes are used at the discretion of the Board of Directors. These funds are known as the "Children's Legacy For Success".

10. Statement of cash flows

The following table details the components of the net change in non-cash working capital balances related to operations:

	2021	2020
	\$	\$
Accounts receivable	(152,838)	(74,410)
Other assets	148,527	(73,929)
Accounts payable and accrued liabilities	528,217	(5,751)
Due to Ministry of Children, Community and Social Services	1,126,558	441,061
	<u>1,650,464</u>	<u>286,971</u>

11. Healthcare of Ontario Pension Plan

Substantially all of the employees of the Centre are members of the Healthcare of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Centre's contributions to HOOPP during the year amounted to \$1,761,646 [2020 – \$1,681,002]. This amount is included in the statement of operations.

The financial statements for the year ended December 31, 2020 for HOOPP disclosed net assets available for benefits of \$103,983,000 [2020 – \$94,102,000], with pension obligations of \$79,852,000 [2019 – \$73,547,000], resulting in a surplus of \$24,131,000 [2019 – \$20,555,000].

12. Government remittances payable

As at March 31, 2021, accounts payable and accrued liabilities include government remittances payable of \$66,332 [2020 – \$55,051].

Notes to financial statements

March 31, 2021

13. Ministry of Children, Community and Social Services

The Centre's service contract with the Ministry of Children, Community and Social Services ["MCCSS"] requires management to produce various year-end reports including an Annual Reconciliation Report or Ontario Transfer Payment Agreement, which shows a summary of all revenue and expenses and any resulting surplus or deficit that relates to the contract. These reports indicate that there is \$1,126,558 [2020 – \$441,061] in excess funding for 2021 payable to the MCCSS. The remaining amount owing of \$3,650,733 represents 2014, 2015, 2017, 2018, 2019 and 2020 reconciled amounts.

14. Financial instruments and risk management

The Centre's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities.

The Centre's risks have not changed during the year.

Market risk

The Centre has an investment policy that restricts the types and amounts of eligible investments. Equity and fixed income securities are held within pooled funds. Market risk and volatility of investments are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

Credit risk

The Centre is exposed to credit risk in connection with its accounts receivable. The Centre's maximum credit risk is limited to the carrying value of accounts receivable. As at March 31, 2021, 73% of the accounts receivable balance is due from the provincial government and government-funded organizations [2020 – 79%].

Foreign currency risk

The Centre's investments are denominated in Canadian dollars. Certain investments such as the US and other international equities are subject to foreign currency fluctuations. The Centre mitigates the foreign currency risk exposure of its foreign securities through diversification of the pooled funds, which are composed of multiple currencies.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Centre's financial position and results of operations. Interest rate changes directly impact the value of fixed income securities. The Centre manages the interest rate risk exposure of its fixed income investments by holding shorter duration investments with varying terms to maturity.

Liquidity risk

The Centre is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Centre has a planning and budgeting process in place to help determine the funds required to support the Centre's normal operating requirements on an ongoing basis. The Centre also manages its liquidity risk by forecasting cash flows from operations and anticipated investing, capital and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

Thames Valley Children's Centre

Notes to financial statements

March 31, 2021

15. Children's Health Foundation

On April 1, 2015, the Centre entered into a five-year agreement with the Children's Health Foundation ["CHF"] under which the future fundraising activities of the Centre will continue to be undertaken on their behalf by CHF. The agreement provides for annual funding amounts approved in advance of each fiscal year through CHF's granting process. During the final year of the prior contract, \$1,157,000 was received [2020 – \$984,000].

16. Commitments

The Centre has obligations under operating leases related to buildings. The approximate aggregate minimum payments required under such leases are as follows:

	\$
2022	256,005
2023	188,856
2024	55,976

17. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements.