

Thames Valley Children's Centre

Financial statements

March 31, 2023



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, 2023, 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, 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 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
May 31, 2023



Thames Valley Children's Centre

Incorporated without share capital under the laws of Ontario

Statement of financial position

As at March 31

	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	10,911,997	9,205,206
Investments <i>[note 6]</i>	9,668,789	9,780,932
Accounts receivable <i>[note 14]</i>	999,344	531,985
Other assets	111,306	111,664
Total current assets	21,691,436	19,629,787
Capital assets, net <i>[note 4]</i>	8,235,521	8,093,270
Long-term lease <i>[note 5]</i>	64	65
	29,927,021	27,723,122
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 12 and 16]</i>	6,102,226	3,622,271
Due to Ministry of Children, Community and Social Services <i>[note 13]</i>	7,243,171	7,511,965
Current portion of deferred contributions <i>[note 8]</i>	1,954,689	1,890,290
Total current liabilities	15,300,086	13,024,526
Deferred contributions <i>[note 8]</i>	7,504,349	7,277,544
Total liabilities	22,804,435	20,302,070
Commitments and contingencies <i>[note 16]</i>		
Net assets		
Internally restricted net assets <i>[note 9]</i>	5,470,963	5,470,963
Unrestricted net assets	1,651,623	1,950,089
Total net assets	7,122,586	7,421,052
	29,927,021	27,723,122

See accompanying notes

Thames Valley Children's Centre

Statement of operations

Year ended March 31

	2023			2022	
	Government-sponsored programs	Community funds	Contracted services	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Ministry of Children, Community and Social Services <i>[note 13]</i>					
Rehabilitation	9,290,891	—	—	9,290,891	8,543,636
Autism	12,735,632	—	—	12,735,632	12,439,461
Grey Bruce Preschool Speech & Language	696,738	—	—	696,738	634,190
School-Based Rehabilitation Services	5,152,957	—	—	5,152,957	4,323,240
Early Intervention Programs	3,993,477	—	—	3,993,477	3,588,290
Ministry of Health					
Priority programs	698,368	—	—	698,368	728,816
Other agencies	122,033	111,548	—	233,581	141,778
Fees for service	15,832	6,390	2,723,770	2,745,992	2,491,277
Fundraising grant and special purpose donations	—	1,120,908	—	1,120,908	1,026,464
Investment income <i>[note 6]</i>	327,268	13,487	—	340,755	469,160
Amortization of deferred capital contributions <i>[note 8[b]]</i>	281,493	473,812	—	755,305	729,253
Other	83,483	254	—	83,737	202,020
	33,398,172	1,726,399	2,723,770	37,848,341	35,317,585
Program expenses <i>[notes 2 and 3]</i>					
Clinical and technical specialty services	4,268,465	164,350	1,067,227	5,500,042	4,974,172
Early childhood, school age and adolescent services	6,220,317	506,609	1,462,147	8,189,073	7,172,097
Grey Bruce Preschool Speech & Language	646,768	—	—	646,768	604,410
Autism services	12,735,740	—	—	12,735,740	12,587,076
School-Based Rehabilitation Services	5,167,028	—	—	5,167,028	4,332,973
Early Intervention Programs	4,078,361	—	—	4,078,361	3,658,500
Research	—	284,332	—	284,332	206,872
Community resources	—	578,474	—	578,474	470,166
Special purposes	—	4,049	—	4,049	3,182
Amortization of capital assets	281,493	681,447	—	962,940	922,965
	33,398,172	2,219,261	2,529,374	38,146,807	34,932,413
Excess (deficiency) of revenue over expenses for the year	—	(492,862)	194,396	(298,466)	385,172

See accompanying notes

Thames Valley Children's Centre

Statement of changes in net assets

Year ended March 31

	2023		2022
	Internally restricted	Unrestricted	Total
	\$	\$	\$
	<i>[note 9]</i>		
Net assets, beginning of year	5,470,963	1,950,089	7,421,052
Excess (deficiency) of revenue over expenses for the year	—	(298,466)	385,172
Net assets, end of year	5,470,963	1,651,623	7,421,052

See accompanying notes

Thames Valley Children's Centre

Statement of cash flows

Year ended March 31

	2023	2022
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(298,466)	385,172
Add (deduct) items not affecting cash		
Amortization of capital assets	962,940	922,965
Loss on investments <i>[note 6]</i>	324,825	165,929
Amortization of deferred capital contributions <i>[note 8[b]]</i>	(755,305)	(729,253)
Decrease in long-term lease <i>[note 5]</i>	1	1
Deferred contributions recognized as revenue	(659,199)	(780,597)
Increase in deferred contributions	700,626	639,301
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	1,744,160	4,374,977
Cash provided by operating activities	2,019,582	4,978,495
Financing activities		
Deferred contributions received related to capital assets <i>[note 8[b]]</i>	1,005,082	—
Cash provided by financing activities	1,005,082	—
Investing activities		
Investment funds reinvested	(212,682)	(566,690)
Additions to capital assets	(1,105,191)	(215,901)
Cash used in investing activities	(1,317,873)	(782,591)
Net increase in cash during the year	1,706,791	4,195,904
Cash and cash equivalents, beginning of year	9,205,206	5,009,302
Cash and cash equivalents, end of year	10,911,997	9,205,206

See accompanying notes

Thames Valley Children's Centre

Notes to financial statements

March 31, 2023

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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Notes to financial statements

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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.

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 and accounts payable and accrued liabilities initially recorded at fair value and subsequently at amortized cost, net of provisions.

3. Allocation of expenses

Central administration costs have been allocated as follows:

	2023	2022
	\$	\$
Clinical and technical specialty services	1,311,006	1,038,865
Early childhood, school age and adolescent services	3,229,114	2,518,112
Autism services	1,506,272	1,510,449
Research	31,580	27,512
Community resources	87,099	83,733
	<u>6,165,071</u>	<u>5,178,671</u>

Thames Valley Children's Centre

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4. Capital assets

Capital assets consist of the following:

	2023		2022	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Tangible assets				
Building	20,177,392	12,669,904	19,763,490	11,987,960
Furniture, fixtures and office equipment	2,455,952	2,318,121	2,335,204	2,286,735
Therapy and rehab equipment	667,500	627,795	641,833	614,472
Computer equipment	2,902,299	2,531,912	2,573,557	2,342,316
	26,203,143	18,147,732	25,314,084	17,231,483
Intangible assets				
Computer software	775,111	595,001	558,979	548,310
	26,978,254	18,742,733	25,873,063	17,779,793
Less accumulated amortization	18,742,733		17,779,793	
Net book value	8,235,521		8,093,270	

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 64 years [2022 – 65 years] remain in the term.

6. Investments

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

	2023 \$	2022 \$
Money market funds	492,212	984,677
Bond funds	3,422,574	4,220,259
Canadian equity funds	2,330,214	1,534,922
Global and US equity funds	3,423,789	3,041,074
	9,668,789	9,780,932

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Investment income consists of the following:

	2023		2022	
	Government-sponsored programs	Community funds	Total	Total
	\$	\$	\$	\$
Dividends and interest	327,268	337,851	665,119	221,551
Net realized and unrealized gains (losses)	—	(324,364)	(324,364)	247,609
	327,268	13,487	340,755	469,160

Included in the above is an unrealized gain on investments of \$101,976 [2022 – unrealized loss of \$165,929].

7. Credit facilities

The credit facilities consist of a variable rate revolving demand facility of \$1,000,000 [2022 – \$1,000,000] bearing interest at a prime rate of 6.70% [2022 – 3.20%] minus 0.25% [2022 – 0.25%]. No amount has been drawn on this facility as at year-end.

8. Deferred contributions

Deferred contributions consist of the following:

	2023	2022
	\$	\$
Related to expenses of future periods [a]	1,218,468	1,177,041
Related to capital assets [b]	8,240,570	7,990,793
	9,459,038	9,167,834
Less current portion	1,954,689	1,890,290
	7,504,349	7,277,544

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

Thames Valley Children's Centre

Notes to financial statements

March 31, 2023

[a] Deferred contributions related to expenses of future periods

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

	2023	2022
	\$	\$
Balance, beginning of year	1,177,041	1,318,337
Add amounts received related to future periods	700,627	639,301
Less amounts recognized as revenue during the year	659,200	780,597
Balance, end of year	1,218,468	1,177,041

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2023	2022
	\$	\$
Balance, beginning of year	7,990,793	8,720,046
Additional contributions received	1,005,082	—
Less amounts amortized to revenue	755,305	729,253
Balance, end of year	8,240,570	7,990,793

9. Internally restricted net assets

Internally restricted net assets consist of the following:

	2023	2022
	\$	\$
Funds restricted for other Board of Directors designated purposes	5,470,963	5,470,963

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".

Thames Valley Children's Centre

Notes to financial statements

March 31, 2023

10. Statement of cash flows

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

	2023	2022
	\$	\$
Accounts receivable	(467,359)	196,005
Other assets	358	(68,910)
Accounts payable and accrued liabilities	2,479,955	386,650
Due to Ministry of Children, Community and Social Services	(268,794)	3,861,232
	<u>1,744,160</u>	<u>4,374,977</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 \$1,800,376 [2022 – \$1,788,945]. This amount is included in the statement of operations.

The financial statements for the year ended December 31, 2022 for HOOPP disclosed net assets available for benefits of \$103,674,000 [2021 – \$114,414,000], with pension obligations of \$92,721,000 [2021 – \$85,902,000], resulting in a surplus of \$10,953,000 [2021 – \$28,512,000].

12. Government remittances payable

As at March 31, 2023, accounts payable and accrued liabilities include government remittances payable of \$378,105 [2022 – \$368,401].

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 a receivable of \$268,793 [2022 – payable of \$3,861,965] for 2023 from the MCCSS. The remaining amount owing of \$7,511,965 represents 2014, 2015, 2017, 2018, 2019, 2020, 2021 and 2022 reconciled amounts.

14. Financial instruments and risk management

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

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

Notes to financial statements

March 31, 2023

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, 2023, 79% of the accounts receivable balance is due from the provincial government and government-funded organizations [2022 – 70%].

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.

15. Children's Health Foundation

On April 26, 2021, 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 its behalf by CHF. The agreement provides for annual funding amounts approved in advance of each fiscal year through CHF's granting process. During the year, \$1,120,908 was received [2022 – \$1,026,464].

Thames Valley Children's Centre

Notes to financial statements

March 31, 2023

16. Commitments and contingencies

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

	\$
2024	527,683
2025	333,660
2026	310,495
2027	103,135
2028	103,135

The Centre routinely engages in collective bargaining and is subject to various human rights matters under provincial legislation when employees or groups within the bargaining units file grievances against the Centre or when the collective bargaining agreements are negotiated, which may result in retroactive pay.

On November 8, 2019, the Ontario legislature passed Bill 124. The legislation imposed a series of 3 year "moderation periods". During moderation periods, increases to salaries and total compensation was capped at 1% per year subject to certain exceptions. On November 29, 2022, Bill 124 was repealed by the Superior Court of Justice of Ontario. As a result, the Centre has estimated accrued retroactive wages and benefits within accounts payable and accrued liabilities.