Thames Valley Children's Centre

Financial statements

March 31, 2018

Building a better working world

Independent auditors' report

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

Report on the financial statements

We have audited the accompanying financial statements of **Thames Valley Children's Centre**, which comprise the statement of financial position as at March 31, 2018, 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.

Auditors' 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 auditors' 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 auditors consider 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 **Thames Valley Children's Centre** as at March 31, 2018, 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
May 28, 2018

Thames Valley Children's Centre

Incorporated without share capital under the laws of Ontario

Statement of financial position

As at March 31

	2018	2017
	$	$
Assets		
Current		
Cash and cash equivalents	**2,324,054**	1,116,109
Investments *[note 6]*	**8,204,435**	8,771,603
Accounts receivable	**605,321**	644,456
Other assets	**188,500**	371,033
Total current assets	**11,322,310**	10,903,201
Capital assets, net *[note 4]*	**10,442,877**	10,774,566
Long-term lease *[note 5]*	**69**	70
	21,765,256	21,677,837
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[note 12]*	**2,764,989**	2,605,127
Due to Ministry of Children and Youth Services *[note 13]*	**1,689,025**	811,089
Current portion of term loan *[note 7]*	**80,099**	314,996
Current portion of deferred contributions *[note 8]*	**503,324**	505,784
Total current liabilities	**5,037,437**	4,236,996
Term loan *[note 7]*	**—**	80,086
Deferred contributions *[note 8]*	**10,518,729**	10,814,086
Total liabilities	**15,556,166**	15,131,168
Commitments and contingencies *[notes 17 and 18]*		
Net assets		
Internally restricted net assets *[note 9]*	**5,470,963**	5,470,963
Unrestricted net assets	**738,127**	1,075,706
Total net assets	**6,209,090**	6,546,669
	21,765,256	21,677,837

See accompanying notes

Thames Valley Children's Centre

Statement of operations

Year ended March 31

	2018				2017
	Government sponsored programs	Community funds	Contracted services	Total	Total
	$	$	$	$	$
Revenue					
Ministry of Children and Youth Services					
Rehab *[note 13]*	**8,260,599**	**—**	**—**	**8,260,599**	8,278,786
Autism *[notes 13 and 15]*	**17,999,832**	**—**	**—**	**17,999,832**	16,180,637
Grey Bruce Preschool Speech & Language *[note 13]*	**684,825**	**—**	**—**	**684,825**	475,325
Ministry of Health and Long-Term Care					
Priority programs	**650,850**	**—**	**—**	**650,850**	629,142
Other agencies	**147,476**	**44,980**	**—**	**192,456**	214,398
Fees for service	**11,817**	**13,188**	**3,164,811**	**3,189,816**	3,531,492
Fundraising grant and special purpose donations	**—**	**997,898**	**—**	**997,898**	975,967
Investment income *[note 6]*	**5,595**	**72,044**	**—**	**77,639**	642,159
Amortization of deferred capital contributions *[note 8[b]]*	**255,405**	**512,639**	**—**	**768,044**	703,731
Other	**26,109**	**41**	**—**	**26,150**	19,746
	28,042,508	**1,640,790**	**3,164,811**	**32,848,109**	31,651,383
Program expenses *[notes 2 and 3]*					
Clinical and technical specialty services	**3,552,907**	**79,708**	**2,052,065**	**5,684,680**	5,941,470
Early childhood, school age and adolescent services	**5,484,652**	**362,160**	**1,238,640**	**7,085,452**	6,951,430
Grey Bruce Preschool Speech & Language	**742,972**	**—**	**—**	**742,972**	520,579
Autism services *[note 15]*	**18,006,572**	**—**	**—**	**18,006,572**	16,193,801
Research	**—**	**257,171**	**—**	**257,171**	295,902
Community resources	**—**	**526,156**	**—**	**526,156**	571,750
Special purposes	**—**	**2,376**	**—**	**2,376**	10,343
Amortization of capital assets	**255,405**	**624,904**	**—**	**880,309**	830,019
	28,042,508	**1,852,475**	**3,290,705**	**33,185,688**	31,315,294
Excess (deficiency) of revenue over expenses for the year	**—**	**(211,685)**	**(125,894)**	**(337,579)**	336,089

See accompanying notes

Thames Valley Children's Centre

Statement of changes in net assets

Year ended March 31

	2018			2017
	Internally restricted	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 9]			
Net assets, beginning of year	**5,470,963**	**1,075,706**	**6,546,669**	6,210,580
Excess (deficiency) of revenue over expenses for the year	**—**	**(337,579)**	**(337,579)**	336,089
Net assets, end of year	**5,470,963**	**738,127**	**6,209,090**	6,546,669

See accompanying notes

Thames Valley Children's Centre

Statement of cash flows

Year ended March 31

	2018	2017
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**(337,579)**	336,089
Add (deduct) items not affecting cash		
Amortization of capital assets	**880,309**	830,019
Unrealized loss (gain) on investments *[note 6]*	**203,666**	(387,853)
Amortization of deferred capital contributions *[note 8 [b]]*	**(768,044)**	(703,731)
Decrease in deferred contributions	**(2,514)**	(62,414)
Decrease in long-term lease *[note 5]*	**1**	1
Net change in non-cash working capital balances related to operations *[note 10]*	**1,259,466**	869,886
Cash provided by operating activities	**1,235,305**	881,997
Financing activities		
Principal repayments of credit facilities *[note 7]*	**(314,983)**	(306,841)
Deferred capital contributions received related to capital assets *[note 8[b]]*	**472,741**	803,225
Cash provided by financing activities	**157,758**	496,384
Investing activities		
Investment withdrawals	**589,234**	318,762
Investment funds reinvested	**(225,734)**	(208,233)
Additions to capital assets	**(548,618)**	(825,769)
Cash used in investing activities	**(185,118)**	(715,240)
Net increase in cash during the year	**1,207,945**	663,141
Cash and cash equivalents, beginning of year	**1,116,109**	452,968
Cash and cash equivalents, end of year	**2,324,054**	1,116,109

See accompanying notes

Notes to financial statements

March 31, 2018

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.

[a] 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 16]*, 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.

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.

[b] 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, are recorded in the statement of operations.

[c] 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

[d] 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.

[e] 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.

[f] 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.

[g] Contributed materials and services

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

[h] 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.

[i] 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.

3. Allocation of expenses

Central administration costs have been allocated as follows:

	2018 $	**2017** $
Clinical and technical specialty services	**851,656**	890,051
Early childhood, school age and adolescent services	**1,166,568**	1,147,311
Autism services	**1,610,925**	1,464,152
Research	**24,132**	24,190
Community resources	**85,816**	85,180
	3,739,097	3,610,884

4. Capital assets

Capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	$	$	$	$
Tangible assets				
Building	**19,371,791**	**9,328,190**	18,964,242	8,678,220
Furniture, fixtures and office equipment	**2,267,243**	**2,119,678**	3,457,846	3,300,520
Therapy and rehab equipment	**597,667**	**496,968**	1,924,855	1,800,457
Computer equipment	**1,960,564**	**1,824,278**	2,083,732	1,902,872
	24,197,265	**13,769,114**	26,430,675	15,682,069
Intangible assets				
Computer software	**320,605**	**305,879**	649,252	623,292
	24,517,870	**14,074,993**	27,079,927	16,305,361
Less accumulated amortization	**14,074,993**		16,305,361	
Net book value	**10,442,877**		10,774,566	

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 69 years remain in the term.

6. Investments

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

	2018	2017
	$	$
Money market funds	**1,025,724**	1,065,636
Bond funds	**3,124,856**	3,143,038
Canadian equity funds	**2,004,217**	2,462,075
Global and US equity funds	**2,049,638**	2,100,854
	8,204,435	8,771,603

Investment income consists of the following:

	2018			2017
	Government sponsored programs	**Community funds**	**Total**	**Total**
	$	$	$	$
Dividends and interest	**5,595**	**224,292**	**229,887**	231,191
Net realized and unrealized gains (losses)	**—**	**(152,248)**	**(152,248)**	410,968
	5,595	**72,044**	**77,639**	642,159

Included in the above is an unrealized loss of $203,667 [2017 – gain of $387,853].

7. Credit facilities and term loan

The credit facilities established by the Centre's bank consist of a variable rate revolving demand facility of $1,000,000 [2017 – $1,000,000] bearing interest at a prime rate of 3.450% [2017 – 2.70%] minus 0.50% [2017 – 0.50%]. No amount has been drawn on this facility at year-end.

The Centre has a fixed rate term loan due June 5, 2018 bearing interest at 2.62% [2017 – 2.62%].

Interest costs incurred during the year amounted to $7,154 [2017 – $15,579].

Amounts drawn on these facilities are shown in the following table:

	2018	2017
	$	$
Fixed rate term loan due June 5, 2018, repayable at $26,750 [2017 – $26,750] per month, principal and interest	**80,099**	395,082
Less current portion	**80,099**	314,996
	—	80,086

Notes to financial statements

March 31, 2018

8. Deferred contributions

Deferred contributions consist of the following:

	2018	2017
	$	$
Related to expenses of future periods [a]	**540,722**	543,236
Related to capital assets [b]	**10,481,331**	10,776,634
	11,022,053	11,319,870
Less current portion	**503,324**	505,784
	10,518,729	10,814,086

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:

	2018	2017
	$	$
Balance, beginning of year	**543,236**	605,650
Add amounts received related to future periods	**1,953,092**	2,172,234
Less amounts recognized as revenue during the year	**(1,955,606)**	(2,234,648)
Balance, end of year	**540,722**	543,236

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2018	2017
	$	$
Balance, beginning of year	**10,776,634**	10,677,140
Additional contributions received *[note 15]*	**472,741**	803,225
Less amounts amortized to revenue	**(768,044)**	(703,731)
Balance, end of year	**10,481,331**	10,776,634

Notes to financial statements

March 31, 2018

9. Internally restricted net assets

Internally restricted net assets consist of the following:

	2018	2017
	$	$
Funds restricted for other Board designated purposes	**5,470,963**	5,470,963

Funds restricted for Board 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:

	2018	2017
	$	$
Accounts receivable	**39,135**	(92,112)
Other assets	**182,533**	(38,033)
Accounts payable and accrued liabilities	**159,862**	272,752
Due to government agencies	**877,936**	727,279
	1,259,466	869,886

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 $1,633,689 [2017 – $1,620,782]. This amount is included in the statement of operations.

The most recent actuarial valuation for financial reporting purposes completed by the HOOPP as at December 31, 2017 disclosed net assets available for benefits of $77,755,000 [2016 – $70,359,000] with pension obligations of $59,602,000 [2016 – $59,602,000], resulting in a surplus of $18,153,000 [2016 – $15,898,000]. The cost of pension benefits is determined by HOOPP at $1.26 per every dollar of employee contributions.
As at December 31, 2017, the HOOPP was 122% funded [2016 – 122%].

12. Government remittances payable

As at March 31, 2018, accounts payable and accrued liabilities include government remittances payable of $49,720 [2017 – $40,504].

13. Ministry of Children and Youth Services ["MCYS"]

The Centre's service contract with the MCYS requires management to produce various year-end reports including an Annual Reconciliation Report, 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 $877,936 [2017 – $727,279] in excess funding for 2018 payable to the MCYS. The remaining amount owing of $811,089 represents 2014, 2015 and 2017 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. 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, 2018, 90% of the accounts receivable balance is due from the provincial government and government funded organizations [2017 – 95%].

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 currency risk exposure of its foreign securities through diversification of the pooled funds, which are comprised 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. Applied behaviour analysis-based services

The Centre has a MCYS funded Autism program, Community Based Applied Behaviour Analysis-Based Services [MCYS code A598], with funding received as follows:

	2018	2017
	$	$
Funding	**2,877,343**	2,985,715
Operating expenditures	**(2,676,950)**	(2,888,365)
Funds deferred to offset future amortization of capital assets	**(200,393)**	(97,350)
	—	—

Funding used for operating purposes was recognized as revenue totalling $2,676,950 [2017 – $2,888,365]. Additional funds of $200,393 [2017 – $97,350] were used for capital expenditures and have been deferred to offset future amortization expense.

16. Children's Health Foundation

On April 1, 2015, the Centre entered into a new 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 this third year of the contract, $992,925 was received [2017 – $1,000,000].

17. Commitments

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

	$
2019	407,414
2020	258,560
2021	99,601
2022	95,082
2023	95,082