

**Children's Treatment Network
of Simcoe York
Financial Statements**
For the year ended March 31, 2016

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Independent Auditor's Report

To the Board of Directors of the
Children's Treatment Network of Simcoe York

We have audited the accompanying financial statements of the Children's Treatment Network of Simcoe York, which comprise the statement of financial position as at March 31, 2016, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions in the Transfer Payment Operating Funds - Basis of Accounting established by the Ministry of Children and Youth Services as described in note 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions in the Transfer Payment Operating Funds - Basis of Accounting established by the Ministry of Children and Youth Services as described in note 1; this includes the determination that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Children's Treatment Network of Simcoe York as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions in the Transfer Payment Operating Funds - Basis of Accounting established by the Ministry of Children and Youth Services.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Children's Treatment Network of Simcoe York to comply with the reporting provisions of the Ministry of Children and Youth Services referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Directors of the Children's Treatment Network of Simcoe York and the Ministry of Children and Youth Services and should not be used by parties other than the Board of Directors of the Children's Treatment Network of Simcoe York and the Ministry of Children and Youth Services.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
May 18, 2016

Children's Treatment Network of Simcoe York Statement of Financial Position

March 31 2016 2015

Assets

Current

Cash (note 2)	\$ 861,596	\$ 1,028,331
Accounts receivable	148,649	197,021
Prepaid expenses	105,456	128,254
	<u>\$ 1,115,701</u>	<u>\$ 1,353,606</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 994,856	\$ 1,183,210
Government remittances payable	7,835	42,978
Deferred revenue	99,196	113,415
	<u>1,101,887</u>	<u>1,339,603</u>

Commitments (note 5)

Net Assets

Internally restricted - family fund (note 9)	13,814	14,003
Unrestricted	-	-
	<u>13,814</u>	<u>14,003</u>
	<u>\$ 1,115,701</u>	<u>\$ 1,353,606</u>

On behalf of the Board:

 Director

 Director

Children's Treatment Network of Simcoe York Statement of Revenues and Expenses

For the year ended March 31	2016	2015
Revenues		
Ministry of Children and Youth Services - base funding	\$ 12,521,550	\$ 12,521,550
- one-time funding	24,947	122,750
Partnership Initiative - Applied Behaviour Analysis	201,742	155,812
Ontario Trillium Foundation grant	99,449	46,873
Interest	8,697	11,931
Other	212,517	227,819
	<u>13,068,902</u>	<u>13,086,735</u>
Expenses		
Clinical Services		
Compensation	818,671	698,472
Supplies	61,161	76,414
Sundry	18,217	29,615
Equipment	40,329	56,646
Contracted out services	7,658,259	7,845,268
	<u>8,596,637</u>	<u>8,706,415</u>
Service Navigation/Service Co-ordination		
Compensation	414,672	407,939
Supplies	2,367	1,604
Sundry	57,726	41,296
Contracted out services	541,767	540,994
	<u>1,016,532</u>	<u>991,833</u>
Partnership Initiative - Applied Behaviour Analysis		
Compensation	155,711	127,748
Supplies	2,923	-
Sundry	5,169	6,924
	<u>163,803</u>	<u>134,672</u>
Evaluation		
Compensation	91,816	82,587
Sundry	1,338	2,763
	<u>93,154</u>	<u>85,350</u>
The Family Resource Program (Ontario Trillium Foundation)		
Compensation	76,349	41,984
Supplies	4,617	322
Sundry	18,483	2,867
Equipment	-	1,700
	<u>99,449</u>	<u>46,873</u>

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

Children's Treatment Network of Simcoe York Statement of Revenues and Expenses

For the year ended March 31	2016	2015
Expenses (continued)		
Administration and Education		
Compensation	\$ 1,082,664	\$ 1,090,216
Supplies	64,352	55,752
Sundry	409,017	502,296
Equipment	154,296	148,820
Contracted out services	306,184	283,763
Buildings and grounds	1,082,814	1,040,745
	<u>3,099,327</u>	<u>3,121,592</u>
Total expenses	<u>13,068,902</u>	<u>13,086,735</u>
Excess of revenues over expenses before fundraising activities	-	-
Net fundraising activities - family fund (note 9)	<u>(189)</u>	<u>6,527</u>
Excess of revenues over expenses (expenses over revenues) for the year	<u>\$ (189)</u>	<u>\$ 6,527</u>

Children's Treatment Network of Simcoe York Statement of Changes in Net Assets

March 31			2016		2015	
	Internally Restricted (note 9)	Unrestricted	Total		Total	
Balance, beginning of the year	\$ 14,003	\$ -	\$ 14,003	\$	7,476	\$
Excess of revenues over expenses (expenses over revenues) for the year	-	(189)	(189)		6,527	
Interfund transfers	(189)	189	-		-	
Balance, end of the year	\$ 13,814	\$ -	\$ 13,814	\$	14,003	\$

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

Children's Treatment Network of Simcoe York Statement of Cash Flows

For the year ended March 31	2016	2015
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	\$ (189)	\$ 6,527
Change in non-cash working capital balances related to operations		
Accounts receivable	48,372	(23,650)
Prepaid expenses	22,798	(22,665)
Accounts payable and accrued liabilities	(188,354)	162,186
Government remittances payable	(35,143)	15,882
Deferred revenue	(14,219)	18,946
Net increase (decrease) in cash during the year	(166,735)	157,226
Cash, beginning of the year	1,028,331	871,105
Cash, end of the year	\$ 861,596	\$ 1,028,331

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

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant Accounting Policies

Nature of Organization

The Children's Treatment Network of Simcoe York is an incorporated not-for-profit organization without share capital under the Corporations Act (Ontario). The organization serves children with multiple disabilities and their families in Simcoe County and York Region.

The organization is not subject to federal or provincial income taxes pursuant to exemptions accorded to charitable organizations in the income tax legislation.

Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with guidance issued by the Ministry of Children and Youth Services. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as capital expenses are charged to the statement of revenues and expenses in the year of expense rather than being capitalized on the statement of financial position and amortized over their estimated useful lives.

Except as noted above, the organization's accounting policies are in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which is one of the financial reporting frameworks in Canadian generally accepted accounting principles.

Revenue Recognition

The organization follows the deferral method of accounting for contributions which includes grants and government subsidies. Operating revenue, including grants and subsidies, are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that future period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized.

Pension Plan

The organization applies defined contribution plan accounting to its multi-employer defined benefit plan for which the organization has insufficient information to apply defined benefit plan accounting (see note 6).

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are initially recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates are designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements, in accordance with the accounting principles required by the Ministry of Children and Youth Services, requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the fair value of financial instruments and the accrual for amounts due to the Ministry of Children and Youth Services. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

The organization's bank accounts are held at one chartered bank. The bank accounts earn interest at the bank's prime rate less 2%.

In addition, the organization has an operating line of credit facility available in the amount of \$400,000. Any outstanding amount bears interest at the bank's prime rate and is secured by a general security agreement. There is no balance outstanding as at March 31, 2016.

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

3. Due From Service Providers

The organization has entered into 17 contracts with various service providers to co-ordinate the care for children with multiple disabilities and their families. These contracts have expiry dates of March 31, 2016.

During the year, the organization made payments to service providers in the amount of \$8,378,820 (2015 - \$8,564,845) related to these contracts. As part of these agreements, the service providers are required to provide an annual report to the organization that reconciles the amount of funding received to the amount of services provided.

As at the date of these financial statements, the organization has received 17 of these reports and as a result, \$8,800 (2015 - \$7,000) has been recorded as due to service providers at March 31, 2016 and the net expense of \$8,378,820 (2015 - \$8,564,845) has been recorded in the statement of revenues and expenses for the year. Any additional adjustments required as a result of this reporting and review process will be accounted for in the year the adjustment is determined.

4. Due to the Ministry of Children and Youth Services

The organization receives funding from the Ministry of Children and Youth Services. The amount of funding provided to the organization is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the periods April 1, 2014 to March 31, 2015 and April 1, 2015 to March 31, 2016 had not been subject to this review process. Any future adjustments required as a result of this review will be accounted for in the year the adjustment is determined.

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

5. Commitments

The organization has entered into an agreement with North Simcoe Muskoka Community Care Access Centre to provide accounting and human resources, information technology, and business intelligence services which extends to March 31, 2017. The fees are \$75,000, \$152,375, and \$83,850 for the year, respectively. For the year ended March 31, 2016, \$283,100 was paid related to this agreement (2015 - \$246,880).

The organization operates from leased office space in Alliston, Barrie, Collingwood, Georgina, Markham, Midland, Newmarket, Orillia, Richmond Hill and Vaughan. These leases have varying expiry dates ranging from 2016 to 2018.

The minimum annual lease payments required under the terms of these leases for the next three fiscal years are as follows:

2017	\$	791,818
2018		276,223
2019		68,325

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

6. Pension Plan

All full-time employees of the organization are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan (HOOPP) by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

HOOPP provides pension services to more than 309,079 active and retired members and approximately 494 employers. The Plan is a multi-employer plan and therefore the organization's contributions are accounted for as if the Plan were a defined contribution plan with the organization's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2015 disclosed a surplus of \$14,773 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$132,884 million in respect of benefits accrued for service with actuarial assets at that date of \$147,657 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the HOOPP surplus or deficit.

Employer contributions made to the Plan during the year by the organization amounted to \$154,871 (2015 - \$144,327) and is included in salaries and benefits expense.

7. Economic Dependence

The organization received 96% (2015 - 97%) of its revenue from the Ministry of Children and Youth Services.

Children's Treatment Network of Simcoe York Notes to the Financial Statements

For the year ended March 31, 2016

8. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization has an operating line of credit facility available that bears interest at the bank's prime rate, however there is no balance outstanding on this credit facility. The organization is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its non-collection of its accounts receivable. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding. The organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution in excess of the amount insured by agencies of the federal government of \$100,000.

Liquidity Risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and government remittances payable.

There have been no changes to the organization's financial instrument exposure from the prior year.

9. Internally Restricted Family Fund

Children's Treatment Network of Simcoe York recognizes that some families will face financial hardships that limit access for children to services and support and that some families will have needs that are not addressed by government and private funding programs. The family fund is meant to assist families when other funding support is not available. The family fund is made available through generous donations to the Children's Treatment Network of Simcoe York.
