

**Children's Treatment Network of
Simcoe York
Financial Statements**
For the year ended March 31, 2022

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Revenues and Expenses	5 - 6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 15

Independent Auditor's Report

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

We have audited the financial statements of the Children's Treatment Network of Simcoe York (the organization), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and expenses, changes in net assets and cash flows for the year 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 Children's Treatment Network of Simcoe York as at March 31, 2022, 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, Community and Social Services.

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 organization 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.

Emphasis of Matter - Basis of Accounting

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 financial reporting provisions in the Transfer Payment Operating Funds - Basis of Accounting established by the Ministry of Children, Community and Social Services. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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, Community and Social 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.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Barrie, Ontario
May 18, 2022

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

March 31	2022	2021
-----------------	-------------	-------------

Assets

Current

Cash (note 2)	\$ 7,443,748	\$ 1,763,344
Accounts receivable	2,674,121	224,457
Prepaid expenses	308,781	285,308
	\$ 10,426,650	\$ 2,273,109

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,021,430	\$ 1,943,380
Government remittances payable	118,222	123,569
Due to Ministry (note 4)	6,937,499	-
Deferred revenue (note 10)	2,211,099	94,292
	10,288,250	2,161,241

Commitments (note 6)

Net Assets

Internally restricted - family fund (note 7)	22,796	13,714
Unrestricted	115,604	98,154
	138,400	111,868
	\$ 10,426,650	\$ 2,273,109

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	2022	2021
		(note 11)
Revenues		
Ministry funding	\$ 31,490,560	\$ 27,138,264
Interest	34,169	10,179
Community program grants	83,562	-
Other revenue and recoveries	740,221	825,469
	<u>32,348,512</u>	<u>27,973,912</u>
Expenses		
Program and Service Delivery		
Compensation	3,476,236	2,114,212
Contracted out services	20,799,679	19,561,368
Professional services	154,620	133,374
Supplies and equipment	140,209	151,092
	<u>24,570,744</u>	<u>21,960,046</u>
Clinical Management		
Compensation	1,382,187	796,558
Contracted out services	698,170	521,530
Professional services	15,033	19,000
Staff training	126,807	13,849
	<u>2,222,197</u>	<u>1,350,937</u>
Program and Service Delivery Support		
Compensation	720,306	438,339
Professional services	71,096	1,304
Supplies and equipment	8,102	-
Sundry	14,153	2,224
Travel and communications	1,002,698	509,660
Building occupancy	1,203,259	1,191,080
	<u>3,019,614</u>	<u>2,142,607</u>

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

For the year ended March 31	2022	2021
		(note 11)
Expenses (continued)		
Allocated Central Administration		
Compensation	\$ 1,784,286	\$ 1,701,475
Contracted out services	279,723	285,520
Professional services	249,251	400,453
Supplies and equipment	25,528	12,316
Sundry	197,169	120,558
	<u>2,535,957</u>	<u>2,520,322</u>
Total expenses	<u>32,348,512</u>	<u>27,973,912</u>
Excess of revenues over expenses before other items	-	-
Non-government grant revenue	17,450	33,653
Net fundraising activities - family fund (note 7)	<u>9,082</u>	<u>543</u>
Excess of revenues over expenses for the year	<u>\$ 26,532</u>	<u>\$ 34,196</u>

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

March 31				2022	2021
	Internally Restricted (note 7)	Unrestricted	Total	Total	
Balance, beginning of the year	\$ 13,714	\$ 98,154	\$ 111,868	\$ 77,672	
Excess of revenues over expenses for the year	-	26,532	26,532	34,196	
Interfund transfers	9,082	(9,082)	-	-	
Balance, end of the year	\$ 22,796	\$ 115,604	\$ 138,400	\$ 111,868	

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

For the year ended March 31	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 26,532	\$ 34,196
Change in non-cash working capital balances related to operations		
Accounts receivable	(2,449,664)	198,140
Prepaid expenses	(23,473)	6,214
Accounts payable and accrued liabilities	(921,950)	(258,378)
Government remittances payable	(5,347)	18,285
Due to Ministry	6,937,499	-
Deferred revenue	2,116,807	20,599
Net increase in cash during the year	5,680,404	19,056
Cash, beginning of the year	1,763,344	1,744,288
Cash, end of the year	\$ 7,443,748	\$ 1,763,344

Children's Treatment Network of Simcoe York

Notes to the Financial Statements

For the year ended March 31, 2022

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 special needs and their families in Simcoe County and York Region. In addition, rehabilitation services are provided to children to ensure their ability to attend, receive instruction and participate in school across Simcoe County, York Region and Central Toronto.

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, Community and Social 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 and other revenues 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.

Interest revenues are recorded when earned.

Children's Treatment Network of Simcoe York

Notes to the Financial Statements

For the year ended March 31, 2022

1. Significant Accounting Policies (continued)

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 8).

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. 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, Community and Social 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, Community and Social 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, 2022 (2021 - \$NIL).

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

For the year ended March 31, 2022

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 special needs and their families. In addition, the organization has entered into 5 contracts to co-ordinate services for children to ensure their ability to attend, receive instruction and participate in schools. These contracts have expiry dates of March 31, 2022.

During the year, the organization made payments to service providers in the amount of \$21,451,283 (2021 - \$20,083,866) 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 22 of these reports and the net expense of \$21,451,283 (2021 - \$20,083,866) 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

The organization receives funding from the Ministry of Children, Community and Social 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 period April 1, 2021 to March 31, 2022 had not been subject to this review process. As at March 31, 2022, \$6,937,499 (2021 - \$NIL) has been recorded as due to the Ministry for unspent funds during the fiscal year. Any future adjustments required as a result of this review will be accounted for in the year the adjustment is determined.

5. Economic Dependence

The organization received 97% (2021 - 97%) of its revenue from the Ministry of Children, Community and Social Services.

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

For the year ended March 31, 2022

6. Commitments

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 2023 to 2029.

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

2023	\$ 550,377
2024	304,691
2025	296,577
2026	296,577
2027	219,684
Thereafter	<u>159,254</u>
	<u>\$ 1,827,160</u>

7. 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.

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

For the year ended March 31, 2022

8. 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 419,627 active and retired members and more than 624 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, 2021 disclosed a surplus of \$28,512 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$188,641 million in respect of benefits accrued for service with actuarial assets at that date of \$217,153 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 \$427,576 (2021 - \$341,750) and is included in salaries and benefits expense.

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

For the year ended March 31, 2022

9. 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, government remittances payable and amounts due to Ministry.

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

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

For the year ended March 31, 2022

10. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. On March 17, 2020 and again on January 14, 2021, the province of Ontario declared a state of emergency and ordered the closure of many establishments. Early in the pandemic, the organization had transitioned primarily to virtual service delivery and only provided face-to-face visits when clients' needs could not be met virtually and when the appropriate safety protocols were in place to protect their clients, staff and partners.

The Ministry had provided the organization with flexibility for 2020-2021 to shift funding and focus on critical services and needs related to COVID-19. The organization established a pandemic working group that met throughout the year to plan and respond to the needs of their business impacted by the pandemic.

In addition, the Ministry provided an extension of the financial flexibility for the 2021-2022 fiscal year. As a result there was no cap on administrative spending and the organization had the ability to shift funding within program groupings, and not be held to service targets. The Ministry approved the deferral of fiscal 2021-2022 funding in the amount of \$2,100,000 to be used for school based rehabilitation services (specifically pre-school speech and language enhancement) in fiscal 2022-2023.

If the impacts of COVID-19 continue, there could be impacts on the organization and the clients and families it serves, suppliers and other third party business associates that may impact the timing and delivery of services and funding amounts received by the Ministry. At this time, the full potential impact of COVID-19 on the organization is not known.

11. Comparative Figures

Certain figures presented for comparative purposes have been restated to conform with the financial statement presentation adopted in the current year.
