

**Children's Treatment Centre of
Chatham-Kent
Financial Statements
For the Year Ended March 31, 2023**

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Contents

Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 14



Tel: 519-352-4130
Fax: 519-352-2744
www.bdo.ca

BDO Canada LLP
555 Richmond Street
Suite 301
Chatham ON N7M 1R2 Canada

Independent Auditor's Report

To the Board of Directors of Children's Treatment Centre of Chatham-Kent

Qualified Opinion

We have audited the financial statements of Children's Treatment Centre of Chatham-Kent ("the Centre"), which comprise the statement of financial position as at March 31, 2023, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2023, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 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

Chatham, Ontario
June 5, 2023

Children's Treatment Centre of Chatham-Kent Statement of Financial Position

March 31	General Fund	Capital Asset Fund	2023 Total	2022 Total
Assets				
Current				
Cash and bank	\$ 1,131,597	\$ -	\$ 1,131,597	\$ 968,853
Investments (note 4)	244,241	-	244,241	230,000
Accounts receivable	403,688	-	403,688	222,245
Due from Foundation (note 5)	118,216	-	118,216	50,125
Prepaid expenses	78,385	-	78,385	125,824
Deposit (note 6)	-	650,000	650,000	250,000
Interfund balance (note 7)	293,558	(293,558)	-	-
	<u>2,269,685</u>	<u>356,442</u>	<u>2,626,127</u>	<u>1,847,047</u>
Long-term investments (note 4)	443,000	-	443,000	445,215
Capital assets (note 8)	-	2,867,496	2,867,496	1,994,310
	<u>\$ 2,712,685</u>	<u>\$ 3,223,938</u>	<u>\$ 5,936,623</u>	<u>\$ 4,286,572</u>
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities (note 9)	\$ 1,369,938	\$ -	\$ 1,369,938	\$ 993,662
Deferred contributions (note 10)	66,206	400,000	466,206	116,635
	<u>1,436,144</u>	<u>400,000</u>	<u>1,836,144</u>	<u>1,110,297</u>
Deferred capital contributions (note 11)	-	1,642,771	1,642,771	684,899
	<u>1,436,144</u>	<u>2,042,771</u>	<u>3,478,915</u>	<u>1,795,196</u>
Fund Balances				
Invested in capital assets	-	1,181,167	1,181,167	1,265,854
Internally restricted (note 12)	75,059	-	75,059	72,722
Unrestricted	1,201,482	-	1,201,482	1,152,800
	<u>1,276,541</u>	<u>1,181,167</u>	<u>2,457,708</u>	<u>2,491,376</u>
	<u>\$ 2,712,685</u>	<u>\$ 3,223,938</u>	<u>\$ 5,936,623</u>	<u>\$ 4,286,572</u>

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

Children's Treatment Centre of Chatham-Kent Statement of Changes in Net Assets

For the year ended March 31	Internally restricted	Unrestricted	Invested in Capital Assets	2023 Total	2022 Total
Balance, beginning of the year	\$ 72,722	\$ 1,152,800	\$ 1,265,854	\$2,491,376	\$ 1,373,363
Excess (deficiency) of revenue over expenses	2,337	48,682	(84,687)	(33,668)	(8,095)
Investment in capital assets	-	-	1,029,097	1,029,097	198,266
Deferred capital contributions (note 11)	-	-	(1,029,097)	(1,029,097)	(198,266)
Capital contribution for land (note 11)	-	-	-	-	1,126,108
Balance, end of the year	\$ 75,059	\$ 1,201,482	\$ 1,181,167	\$ 2,457,708	\$ 2,491,376

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

Children's Treatment Centre of Chatham-Kent Statement of Operations

For the year ended March 31	General Fund	Capital Asset Fund	2023 Total	2022 Total
Revenue				
Core program funding (note 3)	\$ 3,326,699	\$ -	\$ 3,326,699	\$ 3,413,034
School Based Rehab	1,481,795	-	1,481,795	1,332,988
Early Words	526,533	-	526,533	467,058
Other revenue	537,793	-	537,793	450,310
Special needs funding	329,106	-	329,106	323,652
Ontario Autism program	1,355,170	-	1,355,170	260,236
Special Needs Resourcing - Municipal	142,250	-	142,250	140,000
Amortization of deferrals	-	71,225	71,225	58,481
Respite programs	54,977	-	54,977	41,422
Investment income	73,024	-	73,024	16,374
Capital project	-	-	-	92,844
Skills Development program	47,316	-	47,316	-
	<u>7,874,663</u>	<u>71,225</u>	<u>7,945,888</u>	<u>6,596,399</u>
Expenses				
Salaries and benefits	5,427,493	-	5,427,493	4,908,207
Operations	2,020,805	-	2,020,805	1,242,480
Other expenses	375,346	-	375,346	307,108
Amortization	-	155,912	155,912	146,699
	<u>7,823,644</u>	<u>155,912</u>	<u>7,979,556</u>	<u>6,604,494</u>
Excess (deficiency) of revenues over expenses	\$ 51,019	\$ (84,687)	\$ (33,668)	\$ (8,095)

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

Children's Treatment Centre of Chatham-Kent Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (33,668)	\$ (8,095)
Items not affecting cash:		
Amortization of capital assets	155,912	146,699
Amortization of deferred capital contributions	(71,225)	(58,481)
	<u>51,019</u>	<u>80,123</u>
Changes in non-cash working capital:		
Accounts receivable	(249,534)	55,860
Prepaid expenses	47,439	(107,579)
Accounts payable and accrued liabilities	376,274	572,793
Deferred contributions	349,571	(7,640)
Deposits	(400,000)	-
	<u>174,769</u>	<u>593,557</u>
Cash flows from investing activities		
Purchase of capital assets	(1,029,097)	(1,324,374)
Purchase of investments - net	(12,025)	(13,983)
	<u>(1,041,122)</u>	<u>(1,338,357)</u>
Cash flows from financing activities		
Deferred capital contributions	1,029,097	198,266
Capital contribution for land	-	1,126,108
	<u>1,029,097</u>	<u>1,324,374</u>
Net increase in cash	162,744	579,574
Cash, beginning of the year	968,853	389,279
Cash, end of the year	\$ 1,131,597	\$ 968,853

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

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

March 31, 2023

1 .Significant Accounting Policies

Nature and Purpose of Organization	<p>Children's Treatment Centre of Chatham-Kent ("the Centre") is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The Centre's principal activities include audiology and children's rehabilitation.</p> <p>The Centre is is a registered charity under the Income Tax Act and, as such, is exempt from income taxes provided certain requirements of the Income Tax Act are met and may issue income tax receipts to donors.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Fund Accounting	<p>The Centre follows the deferral method of accounting for contributions and uses fund accounting.</p> <p>Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.</p> <p>The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Centre's capital assets and building expansion campaign.</p>
Revenue Recognition	<p>The Centre follows the deferral method of accounting for contributions which includes donations and government grants.</p> <p>Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Restricted net investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted net investment income is recognized as revenue when earned.</p>
Deferred Capital Contributions	<p>Deferred capital contributions consist of funds received for the purchase of capital assets. The funds are to be amortized over the same life as the tangible capital assets which they financed.</p>

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Capital Assets Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Equipment	5 - 10 years
Land improvements	12.5 years

Amortization expense is reported in the Capital Asset Fund.

Financial Instruments Financial instruments are 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 income. 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 balance sheet date and charged to the financial instrument for those measured at amortized cost.

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

Uses of Estimates The preparation of financial statements in accordance with Canadian standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Children's Treatment Centre of Chatham-Kent Notes to Financial Statements

March 31, 2023

2. Economic Dependence

The majority of the funding for the Centre is from the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2023.

The Centre's building is located on government owned land. The Centre pays no rent for use of this land.

3. Other Revenue

Included in Core program funding are internal transfers of \$515,696 (2022 - \$493,015) to cover general administrative costs for non-core programs. These general administrative costs are initially funded through the core program but allocated to other non-core programs based on staffing or other usage. The allocations are included in operations and other expenses for the non-core programs.

4. Investments

Investments in the General Fund are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash account	\$ 5,241	\$ 2,215
Guaranteed investment certificates and other fixed income investments, average yield of 2.46%, maturing between April 2022 and October 2025	<u>682,000</u>	<u>673,000</u>
	<u>687,241</u>	<u>675,215</u>
Less investments maturing in one year	<u>244,241</u>	<u>230,000</u>
	<u>\$ 443,000</u>	<u>\$ 445,215</u>

5. Due from Children's Treatment Centre Foundation of Chatham-Kent

During the current year the Children's Treatment Centre of Chatham-Kent collected funds and paid for expenditures on behalf of the Children's Treatment Centre Foundation of Chatham-Kent. These transactions are in the normal course of operations and are measured at the carrying value. As at March 31, 2023 the Centre has a receivable of \$118,216 (2022-\$50,125) from the Children's Treatment Centre Foundation of Chatham-Kent. There are no fixed repayment terms or security.

Children's Treatment Centre of Chatham-Kent Notes to Financial Statements

March 31, 2023

6. Deposit

In fiscal year 2020, the Centre transferred funds to Children's Treatment Centre Foundation of Chatham-Kent to facilitate the purchase of land for the construction of a new location. In the 2022 fiscal year, the land for the new location was transferred from the Foundation to the Centre. The funds that were originally transferred (\$250,000) from the Centre to the Foundation in 2020 continue to be held by the Foundation to help facilitate the construction of a new building at the new location. In fiscal year 2023, an additional \$400,000 was transferred to the Foundation to be used for construction of the new building. In the event that the building construction does not proceed, this deposit is to be returned to the Centre.

7. Interfund Balance

This interfund amount represents amounts owing to the general fund by the building and equipment fund for capital assets paid for by the general fund. The balance is expected to be settled when funds received in the building and equipment fund through fundraising or grants are available to transfer to the general fund.

Children's Treatment Centre of Chatham-Kent Notes to Financial Statements

March 31, 2023

8. Capital Assets

	Cost	Accumulated Amortization	2023 Net Book Value
Building	\$ 2,835,870	\$ 2,271,407	\$ 564,463
Equipment	1,792,247	1,549,594	242,653
New Centre work in progress	915,196	-	915,196
Land	1,126,108	-	1,126,108
Land improvements	225,686	206,610	19,076
	\$ 6,895,107	\$ 4,027,611	\$ 2,867,496

	Cost	Accumulated Amortization	2022 Net Book Value
Building	\$ 2,788,220	\$ 2,201,702	\$ 586,518
Equipment	1,725,995	1,481,442	244,553
Land	1,126,108	-	1,126,108
Land improvements	225,686	188,555	37,131
	\$ 5,866,009	\$ 3,871,699	\$ 1,994,310

The land was purchased by funds provided by the Ontario Ministry of Children, Community and Social Services and is to be used for a new Centre location. A restriction on the land title requires written consent of the Ministry for a transfer or charge of the land.

New Centre work in progress consists of costs to date related to initial plans for a new Centre location. The total cost of the new Centre has not yet been determined. Funding is expected to be from the Ontario Ministry of Children, Community and Social Services, a loan from the Municipality of Chatham-Kent and from donations.

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$142,144 (2022 - \$114,995) in government remittances payable.

Children's Treatment Centre of Chatham-Kent Notes to Financial Statements

March 31, 2023

10. Deferred Contributions

Deferred contributions consist of funds received from organizations and individuals to be used exclusively for the specialized assessment and treatment services of Centre clients as well as funding received for specific programs and other specified grants.

	2023	2022
Balance at beginning of year	\$ 116,635	\$ 124,275
Amounts received for specified programs and uses	365,370	5,000
Less funds spent or repaid	(15,799)	(12,640)
Balance at end of the year	\$ 466,206	\$ 116,635

The outstanding specified programs and services related to the above contributions have varying dates of completion.

11. Deferred Capital Contributions

Deferred capital contribution related to capital assets represents the unamortized portion of grants and donations received for the purchase of capital assets.

	2023	2022
Balance at beginning of the year	\$ 684,899	\$ 545,114
Additional capital contributions	1,029,097	198,266
Less: Amounts amortized to revenue	(71,225)	(58,481)
Balance at end of the year	\$ 1,642,771	\$ 684,899

In 2022, the Centre received funding from the Province of Ontario in the amount of \$1,126,108 to cover the cost of purchasing the land where a new Treatment Centre location is planned to be constructed. In the event that construction at the new location does not take place and the land is sold, the original amount provided by the Province of Ontario is to be returned. This contribution has been recorded as a direct increase in net assets.

Children's Treatment Centre of Chatham-Kent Notes to Financial Statements

March 31, 2023

12. Internally Restricted Net Assets

The Board of Directors has internally restricted the General Fund as follows:

	<u>2023</u>	<u>2022</u>
Employee Donations - Jeans Day	\$ 9,122	\$ 6,285
Fitness Fun Campaign	<u>65,937</u>	<u>65,937</u>
	<u>\$ 75,059</u>	<u>\$ 72,222</u>

These internally restricted amounts are not available for unrestricted purposes without approval of the Board of Directors.

13. Financial Instruments

The following analysis provides information about the Centre's risk exposure and concentration on financial instruments. There have been no significant changes in the nature or concentration of these risk exposures from the prior year.

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 Centre is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Credit risk

Credit risk is the risk that the counterparty to a transaction will not pay. The majority of the Centre'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.

Liquidity risk

Liquidity risk is the risk that the Centre encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Centre 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.
