

**Central West Specialized
Developmental Services
Financial Statements
For the year ended March 31, 2019**

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For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of Central West Specialized Developmental Services

Opinion

We have audited the financial statements of Central West Specialized Developmental Services (the "Organization"), which comprise the statement of financial position of the Operating Fund, Charitable Donation Fund and Residents' Trust Fund as at March 31, 2019, and the statements of revenue and expenditures and deficit of the Operating Fund, revenue and expenditures and net assets of the Charitable Donation Fund and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

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 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 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

Guelph, Ontario
June 4, 2019

**Central West Specialized Developmental Services
Statement of Financial Position
Operating Fund**

March 31 2019 2018

Assets

Current

Cash (Note 2)	\$ 5,231,605	\$ 4,907,338
Accounts receivable	909,235	431,680
Due from Province of Ontario	924,669	602,590
Ministry receivable (Note 3)	65,020	220,638
	\$ 7,130,529	\$ 6,162,246

Liabilities and Deficit

Current

Accounts payable and accrued liabilities (Note 4)	\$ 7,061,047	\$ 5,912,928
Deferred revenue (Note 5)	-	30,000
Term loans payable (Note 6)	65,020	220,638
	7,126,067	6,163,566

Recoverable by Province of Ontario 6,547 765

Deficit (2,085) (2,085)

\$ 7,130,529 **\$ 6,162,246**

On behalf of the Board:


_____ Chair


_____ Vice-Chair

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

**Central West Specialized Developmental Services
Statements of Financial Position**

March 31 **2019** **2018**

Charitable Donation Fund

Asset

Cash **\$ 137,373** **\$ 131,325**

Net Assets

Net assets

Restricted net assets **\$ 88,556** **\$ 82,412**
 Unrestricted net assets **48,817** **48,913**

\$ 137,373 **\$ 131,325**

Residents' Trust Fund

Asset

Cash **\$ 315,205** **\$ 285,299**

Liability

Trust liability **\$ 315,205** **\$ 285,299**

On behalf of the Board:



Chair



Vice-Chair

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

**Central West Specialized Developmental Services
Statement of Revenue and Expenditures and Deficit
Operating Fund**

For the year ended March 31	2019	2018
Revenue		
Operations		
Base funding	\$ 18,359,694	\$ 18,327,632
Ontario Disability Support Program	884,620	940,549
Passport funding	1,199,397	1,111,657
Fiscal funding – Other (Note 7)	6,782,352	5,528,120
Grant funding (Note 5)	40,615	47,700
	<u>27,266,678</u>	<u>25,955,658</u>
Community and individualized funding		
Base funding	689,903	679,853
Passport funding	50,498,353	37,648,427
Fiscal funding	5,925,016	4,348,327
	<u>57,113,272</u>	<u>42,676,607</u>
	<u>84,379,950</u>	<u>68,632,265</u>
Expenditures (Schedule)		
Operations		
Administration	1,531,976	1,538,591
Building and property	1,560,643	1,081,646
Community Homes	2,855,476	2,717,300
Community Network of Specialized Care	822,376	437,021
Complex Treatment Homes	9,107,225	9,251,058
Dual Diagnosis Services	1,712,603	1,861,026
Halton/Peel Support Services	1,172,035	989,540
Passport	1,199,199	1,111,657
Residential	6,500,982	6,178,327
Respite	811,242	789,831
	<u>27,273,757</u>	<u>25,955,997</u>
Community and individualized funding		
Dual Diagnosis Services	130,000	120,000
Halton/Peel Support Services	6,484,919	4,908,230
Passport (Note 10)	50,498,353	37,648,427
	<u>57,113,272</u>	<u>42,676,657</u>
	<u>84,387,029</u>	<u>68,632,654</u>
Deficiency of revenue over expenditures before other items	(7,079)	(389)
Interest revenue	13,626	1,154
Excess of revenue over expenditures for the year	6,547	765
Recoverable by Province of Ontario	(6,547)	(765)
Deficit, beginning of year	(2,085)	(2,085)
Deficit, end of year	\$ (2,085)	\$ (2,085)

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

**Central West Specialized Developmental Services
Statement of Revenue and Expenditures and Net Assets
Charitable Donation Fund**

For the year ended March 31

	Restricted Net Assets	Unrestricted Net Assets	2019 Total	2018 Total
Revenue				
Donations	\$ 22,316	\$ 3,000	\$ 25,316	\$ 27,781
Expenditures				
Equipment	4,664	-	4,664	-
Purchase of service	11,508	-	11,508	2,204
Recreation	-	3,096	3,096	5,164
	<u>16,172</u>	<u>3,096</u>	<u>19,268</u>	<u>7,368</u>
Excess (deficiency) of revenue over expenditures for the year	6,144	(96)	6,048	20,503
Balance, beginning of year	<u>82,412</u>	<u>48,913</u>	<u>131,325</u>	<u>110,822</u>
Balance, end of year	<u>\$ 88,556</u>	<u>\$ 48,817</u>	<u>\$ 137,373</u>	<u>\$ 131,325</u>

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

Central West Specialized Developmental Services Statement of Cash Flows

For the year ended March 31	2019	2018
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 6,048	\$ 20,503
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Changes in non-cash working capital balances		
Accounts receivable	(477,555)	68,372
Accounts payable and accrued liabilities	1,148,119	1,105,316
Deferred revenue	(30,000)	30,000
Due to/from Province of Ontario	(316,297)	(191,010)
Ministry receivable	155,618	58,264
	<u>485,933</u>	<u>1,091,445</u>
Cash flows from financing activity		
Repayments of term loans payable	<u>(155,618)</u>	<u>(504,335)</u>
Net increase in cash	330,315	587,110
Cash, beginning of year	<u>5,038,663</u>	<u>4,451,553</u>
Cash, end of year	\$ 5,368,978	\$ 5,038,663
Represented by		
Cash – Operating Fund	\$ 5,231,605	\$ 4,907,338
Cash – Charitable Donation Fund	<u>137,373</u>	<u>131,325</u>
	\$ 5,368,978	\$ 5,038,663

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

Central West Specialized Developmental Services Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies

Nature of Organization

By Application for Supplementary Letters Patent dated June 22, 2007, the Organization, formerly known as Oaklands Regional Centre, changed its name to Central West Specialized Developmental Services (the "Organization" or "Central West").

Central West is a not-for-profit organization, incorporated without share capital under the laws of Ontario, which provides residential and community-based support programs to individuals with developmental disabilities and to their families.

Central West is a registered charity under the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Central West follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted grant funding of the Operating Fund is recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions of the Charitable Donation Fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Central West is funded by the Province of Ontario through the Ministry of Community and Social Services and the Ministry of Children and Youth Services on the basis of subsidies for approved expenditures.

Community and individualized funding are funds that Central West administers and flows to individuals, families and Agencies.

Fund Accounting

The Operating Fund accounts for the operations of all programs and contracts administered by Central West.

The Charitable Donation Fund accounts for restricted and unrestricted contributions. The donor-restricted funds are to be used for purposes specified by the donor. The unrestricted funds consist of donation income.

The Residents' Trust Fund accounts for the assets belonging to the residents.

Central West Specialized Developmental Services

Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (Continued)

Capital Assets

On the basis of Section 14 of the Agreements between the Province of Ontario and Central West Specialized Developmental Services dated November 30, 1975 and January 29, 2008, it is management's position that Central West has no title or residual interest in the assets acquired for the main facility or the newly acquired/constructed homes.

Contributed Goods and Services

Volunteers contribute significant amounts of time to assist Central West in carrying out its service delivery activities. Central West also, from time to time, receives donations of goods. Because of the difficulty of determining their fair value, contributed goods and services are not recognized in the financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, 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 charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting 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 revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

Included in cash is \$351,338 (2018 - \$1,038,972) held in a high-interest savings account.

Central West has an unused \$100,000 (2018 - \$100,000) operating credit facility bearing interest at the bank's prime rate. The credit facility is secured by a general security agreement.

3. Ministry Receivable

The Ministry intends to fund Central West in conjunction with the Organization's term loan payments, arising as a result of a Hillside community home renovation completed in 2016. As at March 31, 2019, Ministry receivable of \$60,335 (2018 - \$156,375) is related to this commitment.

In the prior year, the Ministry committed to fund the reduction of the Organization's 2016 deficit. The Ministry intends to fund Central West in conjunction with the Organization's term loan payments. As at March 31, 2019, Ministry receivable of \$4,685 (2018 - \$64,263) is related to this commitment.

Central West Specialized Developmental Services Notes to Financial Statements

March 31, 2019

4. Contingent Liabilities

Central West has been named as a defendant/co-defendant in litigations that are outstanding as at March 31, 2019. Management believes that Central West has a valid defence and appropriate insurance coverage in place. Management believes the Organization has properly accrued for any potential payments related to outstanding litigations as at year end.

Central West occupies a building that may require significant capital upgrades. Due to the uncertainty of the scope of these upgrades, Central West has not recorded any expenditures or liabilities related to this project nor has the Ministry committed any specific funding to this project during the year.

5. Deferred Revenue

In the prior year, Central West received grant funding from the Ontario Trillium Foundation ("Trillium") of \$67,500 to support their Quality of Life program. This program began in September 2017 and continued until September 2018. There were no unspent Trillium grants at year-end.

6. Term Loans Payable

	<u>2019</u>	<u>2018</u>
Term loan, bearing interest at prime plus 1.6% per annum, repayable in monthly principal payments of \$1,629 plus interest and open to prepayment without penalty, secured by a general security agreement and certain properties of the Organization, maturing January 2020	\$ 60,335	\$ 156,375
Term loan, bearing interest at prime plus 1.6% per annum, repayable in monthly principal payments of \$850 plus interest and open to prepayment without penalty, secured by a general security agreement and certain properties of the Organization, maturing July 2019	<u>4,685</u>	<u>64,263</u>
	<u>\$ 65,020</u>	<u>\$ 220,638</u>

Any payments on the term loans represent funds received by the Ministry to be applied for debt reduction, these funds are not available for regular operating expenditures.

7. Fiscal Funding – Other

During the year, Central West received one-time funding of \$20,000 to assist in meeting obligations associated with the implementation of Bill 148.

Central West Specialized Developmental Services Notes to Financial Statements

March 31, 2019

8. Special Services at Home Program

During the year, Central West received \$1,809,484 (2018 - \$1,558,765) fiscal funding to administer the Special Services at Home Program. The Special Services at Home contracts totalled \$1,875,775 (2018 - \$1,626,231). The funding for this program is not included in the Ministry Service Contract and has not been included in the statement of revenue and expenditures and deficit on page 6 of these statements.

9. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. Central West is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligation. Central West's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable balances. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that Central West encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, Central West 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 Central West's accounts payable and accrued liabilities and term loans payable balances. This risk has not changed from the prior year.

10. Subsequent Events

Subsequent to year-end Central West will no longer be the payment processing entity for invoices related to the Passport program and will cease to receive Passport funding related to those invoices. In fiscal 2018, the Ministry made the decision to run all provincial Passport individual contracts funding through a service called PassportONE, which is administered by Family Services Toronto. Central West continues to receive invoices related to the 2019 fiscal year and the Ministry will flow a prior year payment during fiscal 2020 in order to offset these expenditures.

11. Comparative Amounts

Certain comparative figures presented in the financial statements have been reclassified to conform with the current year's presentation.

**Central West Specialized Developmental Services
Schedule of Expenditures
Operating Fund**

For the year ended March 31	2019	2018
Salaries and benefits		
Building and property	\$ 305,592	\$ 312,827
Community programs	2,618,030	2,375,322
Complex Treatment Homes	8,230,245	8,526,870
Halton/Peel Support Services	850,180	822,115
Passport	888,091	836,207
Residential	<u>9,406,360</u>	<u>9,087,318</u>
	22,298,498	21,960,659
Non-salaries and benefit expenses		
Building and property	1,255,051	768,819
Community programs	858,191	832,556
Complex Treatment Homes	876,980	724,189
Halton/Peel Support Services	6,806,775	5,075,655
Passport	50,809,461	37,923,877
Residential	<u>1,482,073</u>	<u>1,346,899</u>
	62,088,531	46,671,995
Total expenditures	\$ 84,387,029	\$ 68,632,654