

**Surrey Place Centre
Financial Statements
For the Year Ended March 31, 2017**

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Independent Auditor's Report

To the Members of Surrey Place Centre

We have audited the accompanying financial statements of Surrey Place Centre, which comprise the statement of financial position as at March 31, 2017, 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.

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 Surrey Place Centre as at March 31, 2017, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

June 28, 2017
Newmarket, Ontario

Surrey Place Centre Statement of Financial Position

March 31	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 5,504,629	\$ 3,599,549
Short term investment (Note 2)	478,000	-
Accounts receivable (Note 10)	310,570	396,609
Receivable from Ontario Ministries of Community and Social Services and Children and Youth Services (MCSS/MCYS)	578,137	539,582
Prepaid expenses	291,405	437,457
	7,162,741	4,973,197
Property and equipment (Note 3)		
Equipment and fixtures	2,958,564	2,330,368
Land and building	1,122,084	1,160,017
	\$11,243,389	\$ 8,463,582
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 5,118,027	\$ 3,046,996
Termination payable (Note 4)	185,764	185,764
Deferred revenue (Note 6)	1,331,188	1,231,826
	6,634,979	4,464,586
Deferred contributions for property and equipment (Note 7)	3,714,844	3,125,256
	10,349,823	7,589,842
Commitments and Contingencies (Notes 11 and 12)		
Net Assets		
Invested in property and equipment	365,129	365,129
Internally restricted reserve fund	157,284	157,284
Unrestricted operating	371,153	351,327
	893,566	873,740
	\$11,243,389	\$ 8,463,582

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

Surrey Place Centre Statement of Operations

Year ended March 31	2017	2016
Revenue		
MCSS/MCYS	\$ 50,270,156	\$ 43,571,833
MCYS Corporate	164,810	144,000
City of Toronto	334,763	316,208
Regional Municipality of Durham	84,740	83,026
Regional Municipality of Peel	405,308	428,909
Regional Municipality of York	15,857	15,857
Other	355,890	739,752
Interest, fees and other revenue	297,257	77,229
Donated facilities - Infrastructure Ontario (Note 7)	704,416	704,416
Amortization of deferred contribution of property and equipment (Note 6)	753,386	635,838
	53,386,583	46,717,068
Expenses		
Remuneration and benefits (Note 8)	35,434,934	33,802,125
Direct Funding for Autism program	9,114,575	4,981,360
Clinical programs	2,244,346	2,478,103
Building occupancy (Note 7)	2,545,887	2,322,349
Equipment rental and communications	1,401,749	988,081
Amortization of property and equipment	752,711	634,994
Travel, education and printing	726,670	501,043
Supplies and memberships	576,572	558,379
Professional and consulting fees	569,313	449,056
	53,366,757	46,715,490
Excess of revenue over expenses	\$ 19,826	\$ 1,578

**Surrey Place Centre
Statement of Changes in Net Assets**

Year ended March 31	Invested in Property and Equipment	Internally Restricted Reserve Fund	Unrestricted Operating	2017 Total	2016 Total
Net Assets, beginning of the year	\$ 365,129	\$ 157,284	\$ 351,327	\$ 873,740	\$ 872,162
Excess of revenues over expenses	-	-	19,826	19,826	1,578
Acquisition of property and equipment	1,342,974	-	(1,342,974)	-	-
Funding received for property and equipment purchases	(1,342,974)	-	1,342,974	-	-
Net Assets, end of the year	\$ 365,129	\$ 157,284	\$ 371,153	\$ 893,566	\$ 873,740

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

Surrey Place Centre Statement of Cash Flows

Year ended March 31	2017	2016
Cash flows from operating activities		
Excess of revenue over expenses	\$ 19,826	\$ 1,578
Items not affecting cash:		
Amortization of property and equipment	752,711	634,994
Recognition of deferred contributions for property and equipment (Note 6)	<u>(753,386)</u>	<u>(635,838)</u>
	19,151	734
Changes in non-cash working capital:		
Accounts receivable	86,039	(33,792)
Receivable from MCSS/MCYS	(38,555)	(509,782)
Prepaid expenses	146,051	(41,659)
Accounts payable and accrued liabilities	2,071,032	115,807
Termination payable	-	(42,632)
Deferred revenue	<u>99,362</u>	<u>356,221</u>
	<u>2,383,080</u>	<u>(155,103)</u>
Cash flows from investing activities		
Purchase of short term investment	(478,000)	-
Purchase of property and equipment	<u>(1,342,974)</u>	<u>(501,486)</u>
	<u>(1,820,974)</u>	<u>(501,486)</u>
Cash flows from financing activities		
Funding received for property and equipment purchases	<u>1,342,974</u>	<u>501,486</u>
Net increase (decrease) in cash and cash equivalents	1,905,080	(155,103)
Cash and cash equivalents, beginning of the year	<u>3,599,549</u>	<u>3,754,652</u>
Cash and cash equivalents, end of the year	\$ 5,504,629	\$ 3,599,549
Represented by:		
Cash	\$ 5,104,629	\$ 3,199,549
Guaranteed investment certificates	<u>400,000</u>	<u>400,000</u>
	\$ 5,504,629	\$ 3,599,549

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

Surrey Place Centre Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>Surrey Place Centre (the "Centre") is a non-profit corporation incorporated under the laws of Ontario without share capital, and is a registered charitable organization under the Income Tax Act (Canada).</p> <p>The Centre is a specialized interdisciplinary health care centre which is nationally accredited and academically affiliated to enable individuals with developmental disabilities to maximize abilities and enhance health and well-being. Effective October 2012, the operations of Ontario for Visually Impaired Children Inc. (OFVIC), a similar government funded organization focusing on visually impaired children, were assumed by the Centre.</p> <p>The main sources of revenue for the Centre are operating subsidies from the Ontario Ministries of Community and Social Services and Children and Youth Services (MCSS/MCYS) which are calculated on the basis of the approved net expenditures as formulated under the annual services plan process. This process requires management to produce periodic reports to maintain the Centre's funding position.</p> <p>As is common with other not-for-profit organizations, the Centre is economically dependent on the continued financial support from the provincial government to meet its ongoing commitments.</p>
Basis of Accounting	<p>The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).</p>
Revenue Recognition	<p>The Centre follows the deferral method of accounting for grants and contributions.</p> <p>Restricted grants and contributions are recognized as revenue in the year in which the services are performed and the related expenses are incurred. Accordingly, restricted grants and contributions related to services that will be rendered subsequent to the end of the current fiscal period are presented as deferred revenue. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>The Centre records contributions used to purchase property and equipment as restricted. The contribution is deferred, and revenue is recognized on the same basis as the amortization of the related asset.</p> <p>Interest income is recorded over the period earned.</p>

Surrey Place Centre Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (continued)

Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition. In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value 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 measured at fair value and charged to the financial instrument for those measured at amortized cost and amortized over the expected life of the instrument using the straight line method.</p> <p>The Centre's financial instruments consist of cash and cash equivalents and short term investments which are recorded at fair value and accounts receivable from MCSS/MCYS and others which are recorded at amortized cost.</p>						
Property and Equipment	<p>Purchased property and equipment are stated at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed property and equipment are recorded at nominal value at the date of contribution.</p> <p>Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><tr><td>Building</td><td>25 years straight-line</td></tr><tr><td>Office and computer equipment</td><td>20% declining balance</td></tr><tr><td>Leasehold improvements</td><td>10 years straight-line</td></tr></table>	Building	25 years straight-line	Office and computer equipment	20% declining balance	Leasehold improvements	10 years straight-line
Building	25 years straight-line						
Office and computer equipment	20% declining balance						
Leasehold improvements	10 years straight-line						
Contributed Services	<p>Due to the difficulty of determining their fair value, the Centre does not record the value of donated materials and services except with respect to the facilities donated by Infrastructure Ontario, which is disclosed in Note 7.</p>						
Internally Restricted Reserve Fund	<p>The internally restricted reserve fund was created by the Board of Directors (the Board) in fiscal 2014 and initially consisted of accumulated excess amounts from various research and training activities. The purpose of the internally restricted reserve fund is to set aside amounts to meet unforeseen special demands in the future.</p>						
Cash and Cash Equivalents	<p>Cash and cash equivalents consist of cash and guaranteed investment certificates that can be liquidated within 90 days from inception without penalties.</p>						

Surrey Place Centre Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (continued)

Use of Estimates	<p>Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.</p> <p>These estimates are reviewed periodically and adjustments are made to operations in the year they become known.</p> <p>Items subject to management estimates include allowance for doubtful accounts, accrued liabilities and the estimated useful lives for property and equipment.</p>
Accrued Vacation Pay	<p>The Centre's staff is paid on a salary basis. Unpaid vacation pay entitlements are not accrued since the Policy of Admissible/Inadmissible Expenditures of MCSS/MCYS only permits the submission of costs when payments are made. The estimated value of unused vacation pay as at March 31, 2017 is \$854,681 (2016 - \$856,108).</p>
Allocation of Expenses	<p>The Centre incurs costs which it allocates to its programs in the Schedule of Programs. These costs are applied consistently each fiscal year according to the guidelines provided by the funders.</p>
Related Party	<p>The financial position, results of operations and cash flows of Surrey Place Centre Charitable Foundation, whose board of directors include a majority of Centre board of director members, have not been consolidated in the Centre's financial statements. Refer to Note 10 for disclosure of the Foundation's financial information.</p>

**Surrey Place Centre
Notes to Financial Statements**

March 31, 2017

2. Short Term Investment

Short term investment is comprised of the following:

	2017	2016
Guaranteed Investment Certificate, interest rate 0.90%, maturing August 17, 2017	\$ 478,000	\$ -

3. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 300,000	\$ -	\$ 300,000	\$ -
Building	948,327	126,243	948,327	88,310
	1,248,327	126,243	1,248,327	88,310
		\$ 1,122,084		\$ 1,160,017
Office and computer equipment	10,077,716	7,930,696	8,965,008	7,391,049
Leasehold improvements	3,387,280	2,575,736	3,157,014	2,400,605
	13,464,996	10,506,432	12,122,022	9,791,654
		\$ 2,958,564		\$ 2,330,368

Surrey Place Centre Notes to Financial Statements

March 31, 2017

4. Termination Payable

As part of the divestment requirements of Thistletown programs, the Centre is a Successor Employer bound by the Crown Employees Collective Bargaining Act. Former Thistletown regular employees who successfully transferred to the Centre carried over all their accumulated vacation credits and severance pay to the Centre. The government also transferred the severance and credit funding of all qualified employees to the Centre. The Centre has recorded a termination payable in the amount of \$185,764 (2016 - \$185,764). The Centre holds this amount in a separate account, and shall only use these funds to pay the qualified employees upon termination as required under the provisions of the applicable collective agreement.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances of \$51,807 (2016 - \$57,934).

The Centre had a surplus in its fiscal 2017 programs totaling \$782,915 (2016 -\$168,069) which is to be returned to MCSS/MCYS.

6. Deferred Revenue

Deferred revenue represents unspent restricted funding and grants received in the current fiscal year that relate to a subsequent fiscal year. Deferred revenue balances are as follows:

	<u>2017</u>	<u>2016</u>
Surrey Place Centre Charitable Foundation (Note 9)	\$ 295,942	\$ 275,232
Other grants	<u>1,035,246</u>	<u>956,594</u>
	<u>\$ 1,331,188</u>	<u>\$ 1,231,826</u>

7. Deferred Contributions for Property and Equipment

Deferred contributions for property and equipment represent the unamortized portion of the contributed property and equipment purchased with funding received from MCSS/MCYS. The changes in the deferred contributions balance for the year are as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 3,125,256	\$ 3,259,608
Add: funding received for property and equipment purchases	1,342,974	501,486
Less: amounts recognized as revenue in the fiscal year	<u>(753,386)</u>	<u>(635,838)</u>
Ending balance	<u>\$ 3,714,844</u>	<u>\$ 3,125,256</u>

Surrey Place Centre Notes to Financial Statements

March 31, 2017

8. Donated Services and Facility Arrangements

Infrastructure Ontario provides the building at 2 Surrey Place to the Centre. In fiscal 2003, Infrastructure Ontario arranged for a professional market appraisal of the building and provided the Centre with a basis for determining the fair market rental for the use of the facilities which was estimated to be \$704,416 per annum, inclusive of certain operating costs. This amount is recorded as revenue and as part of building occupancy expense in the statement of operations.

9. Pension Plan

HOOPP provides pension services to more than 309,000 active and retired members and approximately 494 employers. Each year an independent actuary determines the funding status of HOOPP Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of the valuation disclosed total actuarial liabilities of \$148,267 million in respect of benefits accrued for service with actuarial assets at that date of \$164,165 million indicating an actuarial surplus of \$15,898 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario healthcare organizations and their employees. As a result, the Centre does not recognize any share of the HOOPP pension surplus or deficit. Contributions made by the Centre to HOOPP for 2017 were \$2,200,544 (2016 - \$2,207,713).

Surrey Place Centre Notes to Financial Statements

March 31, 2017

10. Related Party Transactions

Surrey Place Centre Charitable Foundation (the "Foundation") receives and applies its funding for the benefit of people with developmental disabilities similar to the objectives of the Centre as described in Note 1. The Foundation is a controlled organization, incorporated without share capital and qualifies for tax-exempt status as a registered charity recognized as a public foundation under the Income Tax Act (Canada).

The financial summary of the Foundation as at March 31, 2017 and 2016 and for the years then ended is as follows:

Financial position:

	2017	2016
Assets	\$ 1,250,993	\$ 1,201,634
Liabilities	131,806	178,478
Net assets	\$ 1,119,187	\$ 1,023,156

Financial activities:

Revenue	\$ 148,060	\$ 78,601
Expenses	52,029	85,731
Excess (deficiency) of revenue over expenses	\$ 96,031	\$ (7,130)

Cash flows:

Operating	\$ (17,357)	\$ 100,935
Investing	(40,604)	(33,797)
Increase (decrease) in cash during the year	\$ (57,961)	\$ 67,138

The Foundation's major sources of income are investment income and contributions received from the community. The income generated in the Foundation is intended to be remitted to the Centre to support its mission.

The Centre and the Foundation share common premises and administration services. Human resources costs, measured at cost of recovery of \$Nil (2016 - \$10,951) were charged to the Foundation. No other expenses were charged to the Centre. The Centre received grants from the Foundation in the amount of \$34,590 (2016 - \$46,982) to fund specific projects. Revenue recognized for the year on these projects is \$13,880 (2016 - \$11,881).

Surrey Place Centre Notes to Financial Statements

March 31, 2017

10. Related Party Transactions (continued)

Included in accounts receivable at year end are amounts due from the Foundation in the amount of \$123,601 (2016 - \$170,583), measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due from the Foundation are non-interest bearing, unsecured and due on demand.

Included in deferred revenue at year end is \$295,942 (2016 - \$275,232) of contributions received from the Foundation for various projects. These contributions will be recognized as revenue once they are spent on the designated projects.

11. Commitments

The Centre's commitments are minimum lease payments under various property lease agreements, exclusive of occupancy costs as follows:

2018	\$ 1,074,766
2019	726,446
2020	423,000
2021	426,500
2022	444,000
Thereafter	<u>2,146,000</u>
	<u>\$ 5,240,712</u>

The Centre has entered into a ten year leasing commitment with Champagne Centre Ltd. commencing February 1, 2017 and expiring on January 31, 2027. During the first to fourth year of the term, payments in equal monthly instalments are \$29,750 and during the fifth to tenth year of the term, payments in equal monthly instalments are \$31,500.

The Centre has provided a letter of guarantee in the amount of \$478,000 in favour of Champagne Centre Ltd. expiring August 31, 2017. Cash of \$478,000 has been set aside to satisfy this letter of guarantee if required.

12. Contingencies

In the normal course of business, the Centre is subject to various claims which are provided for if and when the amounts become reasonably determinable.

Surrey Place Centre Notes to Financial Statements

March 31, 2017

13. Financial Instruments

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 Centre's financial instruments that are exposed to concentrations of credit risk relate primarily to its receivable from MCSS/MCYS and other receivables. The Centre provides credit to its clients in the normal course of its operations.

The Centre mitigates credit risk on its receivables by performing credit assessments on a regular basis and creating an allowance for doubtful accounts when applicable.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting its obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its accounts payable and accrued liabilities including the repayable to MCSS/MCYS, termination payable, and commitments.

The Centre's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Centre maintains a portion of its invested assets in liquid securities.

The Centre's ability to obtain funding from external sources may be restricted if the Centre's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Centre's access and ability to fund its short-term requirements. The Centre mitigates this risk by actively monitoring market conditions and diversifying its sources of funding.

There have not been any changes in the risk 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 on its fixed interest rate financial instruments. Fixed-interest instruments subject the Centre to a fair value risk.

It is management's opinion that Centre is not exposed to significant interest rate risk arising from its financial instruments.

There have not been any changes in the risk from the prior year.

**Surrey Place Centre
Notes to Financial Statements**

March 31, 2017

14. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the presentation of the 2017 financial statements.

Surrey Place Centre Schedule of Programs

Year ended March 31	MCSS/MCYS Toronto Region Program	MCSS/MCYS North Region Program	City of Toronto Program	The Regional Municipality of Durham Program	The Regional Municipality of Peel Program	The Regional Municipality of York Program	Grant and Other Contributing Programs	2017
MCSS/MCYS	\$ 49,460,015	\$ 810,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,270,156
MCYS Corporate	164,810	-	-	-	-	-	-	164,810
City of Toronto	-	-	334,763	-	-	-	-	334,763
Regional Municipality of Durham	-	-	-	84,740	-	-	-	84,740
Regional Municipality of Peel	-	-	-	-	405,308	-	-	405,308
Regional Municipality of York	-	-	-	-	-	15,857	-	15,857
Amortization of deferred contribution of property and equipment	750,088	3,298	-	-	-	-	-	753,386
Donated services- Infrastructure Ontario	704,416	-	-	-	-	-	-	704,416
Interest, fees and other revenue	260,357	36,900	-	-	-	-	-	297,257
Markham Stouffville Hospital	-	-	-	-	-	-	30,060	30,060
Erinoak Kids Centre	-	-	-	-	-	-	47,344	47,344
The Salvation Army Broadview Village	-	-	-	-	-	-	79,811	79,811
Surrey Place Centre Foundation	-	-	-	-	-	-	13,880	13,880
Other	-	-	-	-	-	-	184,795	184,795
	51,339,686	850,339	334,763	84,740	405,308	15,857	355,890	53,386,583
Expenses								
Remuneration and benefits	33,813,437	630,736	330,608	78,379	344,741	16,992	220,041	35,434,934
Direct Funding for Autism program	9,114,575	-	-	-	-	-	-	9,114,575
Clinical programs	2,171,458	15,918	269	-	-	4	56,697	2,244,346
Building occupancy	2,525,694	20,193	-	-	-	-	-	2,545,887
Equipment rental and communications	1,308,818	48,200	378	3,553	38,619	-	2,181	1,401,749
Amortization of property and equipment	749,413	3,298	-	-	-	-	-	752,711
Travel, education and printing	626,129	69,012	2,011	1,530	5,081	453	22,454	726,670
Supplies and memberships	476,117	62,982	497	1,278	406	-	35,292	576,572
Professional and consulting fees	553,469	-	1,000	-	-	-	14,844	569,313
	51,339,110	850,339	334,763	84,740	388,847	17,449	351,509	53,366,757
	\$ 576	\$ -	\$ -	\$ -	\$ 16,461	\$ (1,592)	\$ 4,381	\$ 19,826