

Financial Statements of

**CANADIAN MENTAL
HEALTH ASSOCIATION
WATERLOO
WELLINGTON BRANCH**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canadian Mental Health Association Waterloo Wellington Branch

Opinion

We have audited the financial statements of Canadian Mental Health Association Waterloo Wellington Branch (the "Organization"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 24, 2021

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 5,036,269	\$ 5,194,664
Marketable securities	65,914	50,524
Accounts receivable (note 2)	1,849,343	1,121,745
Prepaid expenses	266,039	290,313
	<u>7,217,565</u>	<u>6,657,246</u>
Capital assets (note 3)	10,350,806	10,579,124
	<u>\$ 17,568,371</u>	<u>\$ 17,236,370</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 6,005,149	\$ 5,993,035
Deferred revenue	1,215,398	507,085
	<u>7,220,547</u>	<u>6,500,120</u>
Leasehold inducement	58,027	73,852
Deferred capital contributions (note 5)	9,184,385	9,629,609
	<u>16,462,959</u>	<u>16,203,581</u>
Net assets:		
Unrestricted (deficit)	(2,982)	157,126
Invested in capital assets	1,108,394	875,663
	<u>1,105,412</u>	<u>1,032,789</u>
Commitments and contingencies (note 9)		
Implications due to COVID-19 (note 13)		
Subsequent event (note 14)		
	<u>\$ 17,568,371</u>	<u>\$ 17,236,370</u>

See accompanying notes to financial statements.

On behalf of the Board:




CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Operations and Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Grants:		
Waterloo Wellington LHIN	\$ 25,108,082	\$ 24,451,539
Ministry of Children, Community and Social Services	11,761,363	11,807,262
Municipal government	1,336,129	2,182,563
Ministry of Labour, Training and Skills Development	822,416	857,632
Ministry of Health - Homelessness program and addictions	416,285	381,068
Ministries of Health (CYMH) and Children, Community Social Services COVID funding (note 13)	491,240	41,815
Other funders	996,282	1,032,616
Other income	2,965,208	2,710,044
	<u>43,897,005</u>	<u>43,464,539</u>
Expenses:		
Salaries and benefits	27,979,698	27,143,802
Program expenses	10,483,135	10,549,194
Building occupancy costs	2,391,391	2,699,595
Corporate services and general administration	1,718,781	2,349,906
Other	760,137	807,204
Ministries of Health (CYMH) and Children, Community Social Services COVID expenses (note 13)	491,240	41,815
	<u>43,824,382</u>	<u>43,591,516</u>
Excess (deficiency) of revenue over expenses	72,623	(126,977)
Net assets, beginning of year	1,032,789	1,159,766
Net assets, end of year	<u>\$ 1,105,412</u>	<u>\$ 1,032,789</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 72,623	\$ (126,977)
Items not involving cash:		
Amortization of capital assets	752,039	822,702
Write-off of capital assets	23,922	5,800
Amortization of deferred capital contributions	(746,683)	(782,570)
Change in fair value of marketable securities	(15,390)	-
Amortization of lease inducement	(15,825)	(15,826)
	<u>70,686</u>	<u>(96,871)</u>
Changes in non-cash operating working capital:		
Accounts receivable	(727,598)	137,323
Prepaid expenses	24,274	92,105
Accounts payable and accrued liabilities	12,114	1,496,450
Deferred revenue	708,313	(158,964)
	<u>87,789</u>	<u>1,470,043</u>
Financing:		
Repayment of long-term debt	-	(11,013)
Capital contributions, net of accounts receivable related to capital assets	301,459	30,354
	<u>301,459</u>	<u>19,341</u>
Investing:		
Purchase of capital assets	(547,643)	(229,205)
Increase (decrease) in cash	(158,395)	1,260,179
Cash, beginning of year	5,194,664	3,934,485
Cash, end of year	<u>\$ 5,036,269</u>	<u>\$ 5,194,664</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements

Year ended March 31, 2021

Canadian Mental Health Association Waterloo Wellington Branch (the "Organization") is a not-for-profit organization providing mental health and developmental services, community support services and education to members of local communities. The Organization is incorporated without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Operating grants 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. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Any surplus due to unspent government grants is recorded as a payable on the statement of financial position.

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 contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees, contracts and services are recognized when the services are provided.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost. Capital assets under construction are not being amortized until the capital asset is complete and is available for use. Amortization is provided using the following method and annual rates:

Asset		Rate
Buildings	Straight-line	25 years
Leasehold improvements	Straight-line	5 - 20 years
Furniture and equipment	Straight-line	3 - 10 years

The estimated useful lives of assets are reviewed by management and adjusted if necessary. The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(c) Lease inducement:

Lease incentives, such as tenant inducements and rent-free periods, are deferred and amortized over the related lease term as a reduction to the rent expense.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Employee future benefits:

a) Defined benefit pension plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Hospitals of Ontario Pension Plan ("HOOPP") for which the Organization does not have the necessary information to apply defined benefit plan accounting. The cost of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

b) Defined contribution pension plan:

The Organization maintains a defined contribution plan, covering some of the former Canadian Mental Health Association Grand River Branch employees. The cost of the defined contribution pension plan is recognized as an expense for services rendered during the period based on the contributions required to be made during each period.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and accounts payable and accrued liabilities. Actual results could differ from those estimates.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Accounts receivable:

	2021	2020
Trade accounts receivable	\$ 730,840	\$ 275,970
HST receivable	266,215	293,036
Accounts receivable from the Ministry of Health (CYMH) and Children, Community and Social Services.	379,800	80,251
Receivable from Ministry of Health - capital	472,488	472,488
	\$ 1,849,343	\$ 1,121,745

No allowance for impairment of accounts receivable has been recorded at March 31, 2021 (2020 - \$nil).

3. Capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,683,880	\$ -	\$ 1,683,880	\$ 1,675,845
Buildings	11,286,401	3,964,796	7,321,605	7,722,519
Leasehold improvements	779,539	588,678	190,861	246,894
Furniture and equipment	3,386,501	2,705,432	681,069	735,014
Construction in progress	473,391	-	473,391	198,852
	\$ 17,609,712	\$ 7,258,906	\$ 10,350,806	\$ 10,579,124

Amortization for the year amounted to \$752,039 (2020 - \$822,702).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable and accruals	\$ 4,132,114	\$ 4,691,171
Payable to Waterloo Wellington LHIN/Ministry of Health	890,973	660,575
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	628,629	351,329
Payable to Ministry of Children, Community and Social Services	265,336	205,032
Homelessness replacement reserve (note 7)	88,097	84,928
	\$ 6,005,149	\$ 5,993,035

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized contributions used to purchase capital assets and unspent contributions received to purchase or construct capital assets. The amortization of deferred capital contributions is recorded as other income in the statement of operations.

	2021	2020
Balance, beginning of year	\$ 9,629,609	\$ 10,381,825
Add: amounts received in the year	301,459	30,354
Less: amounts amortized to revenue	(746,683)	(782,570)
Balance, end of year	\$ 9,184,385	\$ 9,629,609

6. Homelessness replacement reserve:

	2021	2020
Balance, beginning of year	\$ 84,928	\$ 79,498
Add: interest	1,169	3,430
Add: supportive housing funding	2,000	2,000
Balance, end of year	\$ 88,097	\$ 84,928

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Operating line of credit:

At March 31, 2021, the Organization has an operating line of credit of \$400,000 bearing interest at bank prime rate, secured by a general security agreement and a collateral mortgage on 67 King Street, Kitchener. As at March 31, 2021 and 2020 the Organization was not utilizing the line of credit.

8. Public sector salary disclosure:

The Organization is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and benefits that have been paid by the Organization and reported to the Province of Ontario in compliance with this legislation are listed on the Ontario Ministry of Finance Website at <http://www.ontario.ca/page/public-sector-salary-disclosure> or can be provided in an alternate format upon request from the Organization.

9. Commitments and contingencies:

(a) Contingencies:

The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2021, management believes the Organization has valid defences and appropriate insurance in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

(b) Commitments:

The Organization rents premises and equipment under long-term operating leases. The minimum lease payments as follows:

2022	\$	712,731
2023		470,674
2024		367,011
2025		243,226
2026		104,480
Thereafter		1,097,043
	\$	<u>2,995,165</u>

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Employee future benefits:

a) Defined benefit pension plan:

Substantially all of the employees of the Organization are eligible to be members of HOOPP, which is a multi-employer contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Organization accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan as at December 31, 2020 indicated that the plan is fully funded.

The Organization's contributions made to HOOPP during the year were \$1,888,144 (2020 - \$1,853,883). The amounts are included in salaries and benefits expense in the statement of operations.

b) Defined contribution pension plan:

The Organization's contributions made to the defined contribution plan during the year were \$11,531 (2020 - \$14,661). The amounts are included in salaries and benefits expense in the statement of operations.

11. Ministry of Health - Supportive Housing Programs:

During the year, the Organization was funded by the Ministry of Health - Supportive Housing Programs. The revenue and expenditures for the Homelessness and Addictions funding under the Supportive Housing Programs are as follows:

	Homelessness Program 2021	Addictions Program 2021
Revenue:		
Ministry of Health revenue (included in other income)	\$ 347,736	\$ 133,641
Rental subsidy (included in other income)	285,464	100,143
Less payable to the Ministry of Health (included as a reduction of other income)	(32,224)	(32,868)
	600,976	200,916
Expenditures:		
Rental expense (included in building occupancy costs)	571,428	182,687
Utilities (included in building occupancy costs)	19,487	13,853
Miscellaneous expenses (included in other)	10,061	4,376
	\$ -	\$ -

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Financial risks:

The Organization believes that it is not exposed to significant market, credit or cash flow risk arising from its financial instruments.

The Organization's operating line of credit has a variable interest rate. As a result, the Organization is exposed to interest rate risk due to fluctuations in the bank prime rate.

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk or interest rate risk as in the preceding paragraph.

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

13. Implications due to COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic resulted in significant financial, market and societal impacts in Canada and around the world.

The Organization incurred additional expenses as a result of COVID-19. These additional expenses were funded by various funders and donors. Revenue and expenses from the Ministry of Health - Children and Youth Mental Health and the Ministry of Children, Community and Social Services are disclosed in the statement of operations. Additional funding not separately disclosed in the statement of operations was obtained to help support the Organization during the pandemic which include funding from the Local Health Integration Network of \$122,085 (2020 - \$nil) and funding from various donors of \$157,353 (2020 - \$154,900)

The Organization also purchased equipment to enable virtual service delivery which was partially funded by the Ministry of Health - Children and Youth Mental Health \$150,000 (2020 - \$nil)

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Organization's operations and financial position is not know at the time. There remains uncertainty for the upcoming year regarding the items mentioned above. These impacts could include a decline in future cash flows, changes to the value of financial assets and liabilities, and the use of net assets to sustain operations. An estimate of the financial effect of the pandemic on the Organization is not practicable at this time.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Subsequent event:

A long term building lease was signed subsequent to year end for a building to be constructed beginning in the summer of 2021 that will be occupied by the Organization. The lease will commence when the building is substantially complete and occupied (projected November / December 2022). The lease has a term of 20 years, with the right to extend for two five year terms. The lease payments will be based on a fixed minimum rent per square footage and the amount of the lease payments will be finalized upon substantial completion of the building. The Organization made a deposit of \$534,000 against future lease payments.

15. Comparative information:

Certain comparative information in the statement of operations has been reclassified from those previously presented to conform to the presentation of the March 31, 2021 financial statements.