

Financial Statements of

**CANADIAN MENTAL
HEALTH ASSOCIATION
WATERLOO
WELLINGTON BRANCH**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- 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, 2022 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

Kitchener, Canada

May 27, 2022

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Financial Position

March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 3,870,260 | \$ 5,036,269 |
| Marketable securities (note 2) | 83,722 | 65,914 |
| Accounts receivable (note 3) | 1,988,318 | 1,849,343 |
| Prepaid expenses | 875,343 | 266,039 |
| | <u>6,817,643</u> | <u>7,217,565</u> |
| Capital assets (note 4) | 10,576,899 | 10,350,806 |
| | <u>\$ 17,394,542</u> | <u>\$ 17,568,371</u> |

Liabilities and Net Assets

| | | |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$ 5,325,728 | \$ 6,005,149 |
| Deferred revenue | 1,464,817 | 1,215,398 |
| | <u>6,790,545</u> | <u>7,220,547</u> |
| Leasehold inducements | 622,201 | 58,027 |
| Deferred capital contributions (note 6) | 8,715,368 | 9,184,385 |
| | <u>16,128,114</u> | <u>16,462,959</u> |
| Net assets: | | |
| Unrestricted (deficit) | 27,098 | (2,982) |
| Invested in capital assets | 1,239,330 | 1,108,394 |
| | <u>1,266,428</u> | <u>1,105,412</u> |
| Commitments and contingencies (note 10) | | |
| | <u>\$ 17,394,542</u> | <u>\$ 17,568,371</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, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Revenue: | | |
| Grants: | | |
| Ontario Health | \$ 25,292,571 | \$ 25,108,082 |
| Ministry of Health Child and Youth Mental Health (CYMH) and Ministry of Children, Community and Social Services (MCCSS) | 12,132,536 | 11,761,363 |
| Other income | 3,040,614 | 2,782,941 |
| The Grove | 1,108,314 | 182,267 |
| Other funders | 1,031,933 | 996,282 |
| Municipal government | 953,824 | 1,336,129 |
| Ministry of Labour, Training and Skills Development | 830,423 | 822,416 |
| Ministry of Health - Homelessness program and addictions (note 12) | 440,790 | 416,285 |
| Ministries of Health CYMH and MCCSS COVID-19 funding (note 13) | 296,104 | 491,240 |
| | <u>45,127,109</u> | <u>43,897,005</u> |
| Expenses: | | |
| Salaries and benefits | 29,079,620 | 27,979,698 |
| Program expenses | 10,729,478 | 10,483,135 |
| Building occupancy costs | 2,393,061 | 2,391,391 |
| Corporate services and general administration | 1,814,411 | 1,718,781 |
| Other | 653,419 | 760,137 |
| Ministries of Health CYMH and MCCSS COVID-19 expenses (note 13) | 296,104 | 491,240 |
| | <u>44,966,093</u> | <u>43,824,382</u> |
| Excess of revenue over expenses | 161,016 | 72,623 |
| Net assets, beginning of year | 1,105,412 | 1,032,789 |
| Net assets, end of year | <u>\$ 1,266,428</u> | <u>\$ 1,105,412</u> |

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 161,016 | \$ 72,623 |
| Items not involving cash: | | |
| Amortization of capital assets | 689,243 | 752,039 |
| Write-off of capital assets | - | 23,922 |
| Amortization of deferred capital contributions | (627,002) | (746,683) |
| Change in fair value of marketable securities | (17,808) | (15,390) |
| Amortization of lease inducement | (35,826) | (15,825) |
| | <u>169,623</u> | <u>70,686</u> |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (138,975) | (727,598) |
| Prepaid expenses | (609,304) | 24,274 |
| Accounts payable and accrued liabilities | (679,421) | 12,114 |
| Deferred revenue | 249,419 | 708,313 |
| | <u>(1,008,658)</u> | <u>87,789</u> |
| Financing: | | |
| Capital contributions, net of accounts receivable related to capital assets | 157,984 | 301,459 |
| Investing: | | |
| Purchase of capital assets | (315,335) | (547,643) |
| Decrease in cash | (1,166,009) | (158,395) |
| Cash, beginning of year | 5,036,269 | 5,194,664 |
| Cash, end of year | <u>\$ 3,870,260</u> | <u>\$ 5,036,269</u> |
| Non-cash transactions: | | |
| Leasehold improvements financed by lease inducements | \$ 600,000 | \$ - |
| Lease inducements | (600,000) | - |

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements

Year ended March 31, 2022

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, 2022

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 |
|-------------------------|---------------|--------------|
| Land improvements | Straight-line | 8 - 15 years |
| 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, 2022

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 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.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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.

2. Marketable securities:

| | 2022 | 2021 |
|----------|-----------|-----------|
| Equities | \$ 83,722 | \$ 65,914 |

3. Accounts receivable:

| | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Other accounts receivable | \$ 635,562 | \$ 730,840 |
| HST receivable | 249,535 | 266,215 |
| Ministry of Health, CYMH and MCCSS | 50,239 | 379,800 |
| The Grove (various funders) | 580,494 | - |
| Ministry of Health - capital | 472,488 | 472,488 |
| | \$ 1,988,318 | \$ 1,849,343 |

No allowance for impairment of accounts receivable has been recorded at March 31, 2022 (2021 - \$nil).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Capital assets:

| | | | 2022 | 2021 |
|--------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 1,675,845 | \$ - | \$ 1,675,845 | \$ 1,675,845 |
| Land improvements | 96,503 | 4,837 | 91,666 | 8,035 |
| Buildings | 11,286,400 | 4,398,870 | 6,887,530 | 7,321,605 |
| Leasehold improvements | 1,403,674 | 665,562 | 738,112 | 190,861 |
| Furniture and equipment | 3,400,255 | 2,832,175 | 568,080 | 681,069 |
| Construction in progress | 615,666 | - | 615,666 | 473,391 |
| | \$ 18,478,343 | \$ 7,901,444 | \$ 10,576,899 | \$ 10,350,806 |

Amortization for the year amounted to \$689,243 (2021 - \$752,039).

5. Accounts payable and accrued liabilities:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Other accounts payable and accruals | \$ 3,220,277 | \$ 4,132,114 |
| Ontario Health and Ministry of Health | 810,252 | 890,973 |
| Government remittances payable (payroll taxes, health taxes and workers' safety insurance) | 684,725 | 628,629 |
| Ministry of Children, Community and Social Services | 480,402 | 230,120 |
| Homelessness replacement reserve (note 7) | 90,863 | 88,097 |
| Ministry of Labour, Training and Skills Development | 39,209 | 35,216 |
| | \$ 5,325,728 | \$ 6,005,149 |

6. 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.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Deferred capital contributions (continued):

| | 2022 | 2021 |
|------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 9,184,385 | \$ 9,629,609 |
| Add: amounts received in the year | 157,985 | 301,459 |
| Less: amounts amortized to revenue | (627,002) | (746,683) |
| Balance, end of year | \$ 8,715,368 | \$ 9,184,385 |

7. Homelessness replacement reserve:

| | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Balance, beginning of year | \$ 88,097 | \$ 84,928 |
| Add: interest | 766 | 1,169 |
| Add: supportive housing funding | 2,000 | 2,000 |
| Balance, end of year | \$ 90,863 | \$ 88,097 |

8. Operating line of credit:

At March 31, 2022, 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, 2022 and 2021 the Organization was not utilizing the line of credit.

9. 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.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. 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, 2022, 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:

| | |
|------|---------------|
| 2023 | \$ 937,980 |
| 2024 | 3,069,241 |
| 2025 | 2,953,609 |
| 2026 | 2,818,365 |
| 2027 | 2,831,958 |
| | <hr/> |
| | \$ 12,611,153 |

During the year, the Organization entered into a new long-term building lease. The lease has a term of 20 years, beginning when the building is considered substantially complete which is assumed to be in spring 2023, with the right to extend for two five year terms. The lease payment is based on square feet at an approximated \$223,867 per month.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. 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, 2021 indicated that the plan is fully funded.

The Organization's contributions made to HOOPP during the year were \$1,948,414 (2021 - \$1,888,144). 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 \$12,225 (2021 - \$11,531). The amounts are included in salaries and benefits expense in the statement of operations.

12. 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 2022 | Addictions Program 2022 |
|--|------------------------------|----------------------------|
| Revenue: | | |
| Ministry of Health revenue (included in Ministry of Health - Homelessness program and addictions) | \$ 398,436 | \$ 133,641 |
| Rental subsidy (included in other income) | 282,805 | 102,816 |
| Less payable to the Ministry of Health (included as a reduction of Ministry of Health - Homelessness program and addictions) | (90,771) | (516) |
| | 590,470 | 235,941 |
| Expenditures: | | |
| Rental expense (included in building occupancy costs) | 556,803 | 211,680 |
| Utilities (included in building occupancy costs) | 20,614 | 16,781 |
| Miscellaneous expenses (included in building occupancy costs) | 13,053 | 7,480 |
| | \$ - | \$ - |

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. Financial risks:

(a) Financial instruments:

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.

(b) Implications due to COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic has 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.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Organization's operations and financial position is not known 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.