Financial Statements of

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

And Independent Auditor's Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S 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, 2024
- 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, 2024 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 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.

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 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.
- 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

June 26, 2024

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 2,378,131	$ 4,187,793
Marketable securities (note 2)	2,240	178,238
Accounts receivable (note 3)	2,266,232	2,233,410
Prepaid expenses	1,595,712	1,081,426
	6,242,315	7,680,867
Capital assets (note 4)	15,530,557	10,486,743
	$ 21,772,872	$ 18,167,610
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 6,897,636	$ 6,605,447
Deferred revenue	1,415,277	1,449,993
	8,312,913	8,055,440
Leasehold inducements	4,670,550	566,375
Deferred capital contributions (note 6)	7,687,689	8,263,592
	20,671,152	16,885,407
Net assets:		
Unrestricted deficit	(2,070,598)	(374,573)
Invested in capital assets	3,172,318	1,656,776
	1,101,720	1,282,203
Commitments and contingencies (note 13)		
	$ 21,772,872	$ 18,167,610

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, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Ontario Health	$ 27,438,854	$ 26,275,489
Ministry of Health Child and Youth Mental Health (CYMH) and Ministry of Children, Community and Social Services (MCCSS)	14,252,688	13,475,019
Other income (note 7)	3,542,222	3,666,662
The Grove	1,944,110	1,399,794
Federal government	1,199,851	858,316
Other funders	1,484,708	1,382,393
Municipal government	1,014,413	976,108
Ministry of Health - Homelessness Program and Addictions Program (note 11)	526,321	482,154
Ministry of Health CYMH and MCCSS COVID-19 funding	-	47,000
	51,403,167	48,562,935
Expenses:		
Salaries and benefits	32,354,154	30,535,703
Program expenses	13,212,928	12,769,991
Building occupancy costs	3,384,983	2,632,500
Corporate services and general administration	1,921,921	1,924,263
Other	709,664	637,703
Ministry of Health CYMH and MCCSS COVID-19 expenses	-	47,000
	51,583,650	48,547,160
Excess (deficiency) of revenue over expenses	(180,483)	15,775
Net assets, beginning of year	1,282,203	1,266,428
Net assets, end of year	$ 1,101,720	$ 1,282,203

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (180,483)	$ 15,775
Donated marketable securities	(52,238)	(115,388)
Items not involving cash:		
Amortization of capital assets	765,489	693,529
Amortization of deferred capital contributions	(600,278)	(617,016)
Change in fair value of marketable securities	(92,320)	24,054
Amortization of lease inducements	(55,825)	(55,826)
	(215,655)	(54,872)
Changes in non-cash operating working capital:		
Accounts receivable	(32,822)	(245,092)
Prepaid expenses	(514,286)	(206,083)
Accounts payable and accrued liabilities	292,189	1,279,719
Deferred revenue	(34,716)	(14,824)
	(505,290)	758,848
Financing:		
Capital contributions received	24,375	165,240
Purchase of marketable securities	-	(3,182)
Sale of marketable securities	320,556	-
	344,931	162,058
Investing:		
Purchase of capital assets	(1,649,303)	(603,373)
Increase (decrease) in cash	(1,809,662)	317,533
Cash, beginning of year	4,187,793	3,870,260
Cash, end of year	$ 2,378,131	$ 4,187,793
Non-cash transactions:		
Leasehold improvements financed by lease inducements	$ 4,160,000	$ -

See accompanying notes to financial statements.

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, rent, contracts and services are recognized when the services are provided.

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 inducements:

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.

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.

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:

	2024	2023
Equities	$ 2,240	$ 178,238

3. Accounts receivable:

	2024	2023
Other accounts receivable	$ 805,130	$ 1,096,034
Due from Ontario Health and Ontario Ministry of Health	571,385	566,451
HST receivable	417,976	294,127
The Grove (various funders)	33,732	155,764
Due from MoH CYMH and MCCSS	438,009	121,034
	$ 2,266,232	$ 2,233,410

No allowance for impairment of accounts receivable has been recorded at March 31, 2024 (2023 - $nil).

4. Capital assets:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	$ 1,675,845	$ -	$ 1,675,845	$ 1,675,845
Land improvements	96,502	21,967	74,535	83,101
Buildings	11,286,400	5,263,916	6,022,484	6,456,753
Leasehold improvements	6,875,243	877,689	5,997,554	640,424
Furniture and equipment	4,524,532	2,765,336	1,759,196	445,548
Construction in progress	943	-	943	1,185,072
	$ 24,459,465	$ 8,928,908	$ 15,530,557	$ 10,486,743

Amortization for the year amounted to $765,489 (2023 - $693,529).

5. Accounts payable and accrued liabilities:

	2024	2023
Other accounts payable and accruals	$ 4,761,105	$ 4,120,038
Ontario Health and Ontario Ministry of Health	767,934	1,067,265
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	671,438	686,679
MCCSS and Federal Government	593,284	585,444
Homelessness replacement reserve (note 7)	98,098	96,098
Ontario Ministry of Health - Homelessness Program and Addictions Program	5,777	49,923
	$ 6,897,636	$ 6,605,447

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.

	2024	2023
Balance, beginning of year	$ 8,263,592	$ 8,715,368
Add: amounts received in the year	24,375	165,240
Less: amounts amortized to revenue	(600,278)	(617,016)
Balance, end of year	$ 7,687,689	$ 8,263,592

7. Other income:

	2024	2023
Donations	$ 1,116,335	$ 1,052,393
Rental income- Others	79,387	76,820
Rental Income – MOH – Homelessness Program and Addictions Program subsidies and residents	380,840	375,728
Investment income	209,312	78,056
Amortization of deferred capital contributions	600,278	617,016
External recovery	568,768	672,662
Others	587,302	793,987
	$ 3,542,222	$ 3,666,662

8. Homelessness replacement reserve:

	2024	2023
Balance, beginning of year	$ 96,098	$ 90,863
Add: interest	-	3,235
Add: supportive housing funding	2,000	2,000
Balance, end of year	$ 98,098	$ 96,098

9. Operating line of credit:

At March 31, 2024, 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, 2024 and 2023 the Organization was not utilizing the line of credit.

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, 2023 indicated that the plan is fully funded.

The Organization's contributions made to HOOPP during the year were $2,110,310 (2023 - $2,041,494). 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 $8,016 (2023 - $11,881). 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 2024	Addictions Program 2024
Revenue:		
Ministry of Health revenue (included in Ministry of Health - Homelessness Program and Addictions Program)	$ 386,885	$ 145,213
Rental subsidy (included in other income)	277,258	103,582
Less payable to the Ministry of Health (included as a reduction of Ministry of Health - Homelessness Program and Addictions Program)	(5,777)	-
	658,366	248,795
Expenditures:		
Rental expense (included in building occupancy costs)	637,145	221,406
Utilities (included in building occupancy costs)	18,768	14,842
Miscellaneous expenses (included in building occupancy costs)	2,453	12,547
	658,366	248,795
	$ -	$ -

12. 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.

13. 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, 2024, 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:

Pursuant to the 737 Woolwich Street ("Project") lease agreement, the Organization will be responsible for all of the development and turnkey work costs. The development costs of the project will part of the monthly rent paid by the Organization.

The Organization and the landlord agree that the turnkey costs has exceeded the lease inducement of $4,160,000 as at March 31, 2024. The landlord has not provided a final settlement of the turnkey costs in excess of the lease inducement. The Organization and the landlord will finalize the development and turnkey costs in fiscal 2025.

The Organization rents premises and equipment under long-term operating leases. The minimum lease payments for the next five years are as follows:

2025	$ 3,937,048
2026	3,803,425
2027	3,787,255
2028	3,699,494
2029	3,662,420
	$ 18,889,642

14. 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.

There were no changes in risk from 2023.

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, 2024 financial statements.