

**Canadian Mental Health Association,
Thames Valley Addiction and Mental
Health Services**

Financial Statements
March 31, 2023



Independent auditor's report

To the Board of Trustees of Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services (the Organization) as at March 31, 2023 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
August 10, 2023

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Statement of Financial Position

As at March 31, 2023

	2023	2022
Assets		
Current assets		
Cash and short-term investments (note 3)	8,734,137	11,692,465
Accounts receivable	1,700,177	1,945,127
Prepaid expenses and deposits	382,896	129,567
	10,817,210	13,767,159
Long-term assets		
Investments (note 4)	-	-
Property, buildings and equipment (note 5)	7,947,550	8,111,171
	18,764,760	22,572,042
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,566,006	5,853,135
Accrued salaries and benefits (note 11)	3,335,950	3,378,521
Interfund balances	(2,657,684)	-
Long-term debt (note 6)	933,280	1,032,961
	8,177,552	10,264,617
Long-term liabilities		
Long-term debt (note 6)	935,073	1,154,903
Deferred contributions	4,001,650	6,148,363
Expenses of future periods (note 7)	1,515,669	1,795,522
Property, buildings and equipment (note 7)	6,452,392	8,599,105
	12,904,784	17,698,793
Net assets		
Investment in property, buildings and equipment (note 8)	3,929,365	4,280,766
Unrestricted	205,451	1,173,559
	4,134,816	5,454,325
	18,764,760	22,572,042
Commitments (note 10)	3,688,835	3,688,835
	22,453,575	26,260,877

On behalf of the Board

J. Bishop

Trustee

Annis A. Leman

Trustee

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

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Statement of Operations

For the year ended March 31, 2023

	2023		2022	
	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Total \$
Revenue				
Grants				
South-West LHIN	32,123,242	-	-	32,123,242
Ministry of Health United Way	3,447,006	225,408	-	3,672,414
City of London	485,086	-	-	485,086
Other	2,029,971	-	801,948	2,831,919
Donations	1,206,160	-	-	1,206,160
Rental revenue	-	-	1,593,847	1,593,847
Other revenue	3,454,543	-	88,681	3,543,224
Amortization of deferred contributions related to property, buildings and equipment (note 7)	3,918,339	-	25,613	3,943,952
	279,853	-	-	279,853
	46,944,200	225,408	2,510,089	49,679,697
Operating and administration expenses				
Salaries	26,720,357	-	995,344	27,715,701
Employee benefits	6,438,277	-	198,559	6,636,836
Recruiting and development	353,584	-	-	353,584
Program expense and supplies	2,745,828	-	915,167	3,660,995
Mileage and vehicle expenses	471,698	-	103,318	575,016
Sessional fees	878,831	-	-	878,831
Fund development expenses	-	-	-	-
Office supplies	623,167	-	2,064	625,231
Computer maintenance and supplies	673,686	-	-	673,686
Promotion and communications	130,606	-	2,706	133,312
Honorariums, consulting and professional fees	488,367	-	25	488,392
Phone, internet and cable service	453,007	-	5,944	458,951
Insurance	158,887	-	-	158,887
Rent paid	4,473,595	-	49,316	4,522,911
Mortgage interest and municipal taxes	452,613	-	130,605	583,218
Utilities	403,775	-	20,562	424,337
Repairs and maintenance	992,618	225,408	86,479	1,304,505
Amortization of property, buildings and equipment	279,853	-	-	279,853
Settlement of prior years funding	-	-	-	-
	46,736,749	225,408	2,510,089	49,474,246
Excess of revenue over expenses	205,451	-	-	205,451
	47,751,901	-	-	47,751,901
	26,401,729	-	-	26,401,729
	6,276,779	-	-	6,276,779
	138,045	-	-	138,045
	3,953,273	-	-	3,953,273
	276,442	-	-	276,442
	634,133	-	-	634,133
	24,087	-	-	24,087
	173,312	-	-	173,312
	487,983	-	-	487,983
	60,601	-	-	60,601
	953,873	-	-	953,873
	543,701	-	-	543,701
	543,099	-	-	543,099
	4,452,262	-	-	4,452,262
	492,809	-	-	492,809
	388,470	-	-	388,470
	1,276,303	-	-	1,276,303
	675,000	-	-	675,000

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

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Statement of Changes in Net Assets

For the year ended March 31, 2023

	2023			2022		
	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Total \$	Total \$	Total \$
Balance – Beginning of year	3,929,365	351,400	-	4,280,765		3,107,206
Excess of revenue over expenses	205,451	-	-	205,451		1,173,559
Balance – End of year	4,134,816	351,400	-	4,486,216		4,280,765

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

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Statement of Cash Flows

For the year ended March 31, 2023

	2023			2022		
	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Total \$		Total \$
Cash provided by (used in)						
Operating activities						
Excess of revenue over expenses	205,451	-	-	205,451		1,173,559
Add (deduct) items not affecting cash						
Gain on sale of property, buildings and equipment	-	-	-	-		-
Amortization of property, buildings and equipment	279,853	-	-	279,853		675,000
Amortization of deferred contributions related to property, buildings and equipment	(279,853)	-	-	(279,853)		(675,000)
Amortization of deferred contributions related to expenses incurred during the period	-	-	-	-		(475,938)
Changes in non-cash working capital balances						
Accounts receivable	205,451	-	-	205,451		697,621
Prepaid expenses and deposits	(244,950)	-	-	(244,950)		(375,866)
Accounts payable and accrued liabilities	(253,330)	-	-	(253,330)		233,768
Accrued salaries and benefits	712,872	-	-	712,872		(462,152)
Interfund balance	(42,571)	-	-	(42,571)		916,476
	(1,798,368)	225,408	1,572,960	-		-
	(1,420,896)	225,408	1,572,960	377,472		1,009,847
Investing activities						
Net (increase) decrease in investments	-	(421,851)	-	(421,851)		386,607
Purchase of property, buildings and equipment	(265,354)	-	-	(265,354)		(2,357,853)
	(265,354)	(421,851)	-	(687,205)		(1,971,246)
Financing activities						
Deferred contributions for property, buildings and equipment (note 7)	-	-	-	-		(224,114)
Deferred contributions for expenses of future periods (note 7)	338,346	(203,821)	937,603	1,072,128		1,746,905
Repayment of long-term debt	319,512	-	-	319,512		451,156
	657,858	(203,821)	937,603	1,391,640		1,973,947
Increase in cash and short-term investments during the year						
	(1,028,392)	(400,264)	2,510,563	1,081,907		1,012,548
Cash and short-term investments – Beginning of year (note 3)	9,762,529	751,664	1,178,272	11,692,465		10,679,917
Cash and short-term investments – End of year (note 3)	8,734,137	351,400	3,688,835	12,774,372		11,692,465

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

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

1 Purpose of Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Effective April 1, 2022, the Canadian Mental Health Association, Elgin-Middlesex, Addiction Services Thames Valley and the Canadian Mental Health Association, Elgin merged to create Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services (the Organization). The mission statement of the Organization is as follows: At CMHA Thames Valley Addiction & Mental Health Services, our mission is to ignite hope and foster change by providing a continuum of mental health and addiction education, supports, and services to our community.

The Organization is a registered charity and is classified as a charitable organization under the Income Tax Act (Canada).

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO) within the framework of the accounting policies summarized below.

Merger accounting

The combination has been accounted for as a merger of three not-for-profit entities by combining the carrying values of the predecessor organizations as at April 1, 2022.

Fund accounting

All financial transactions have been recorded in three funds: Operating Fund, Replacement Reserve Fund, and Donation Fund.

The Operating Fund reflects housing, therapeutic, and administrative activities of the Organization. Funding is provided by the Province of Ontario. Any excess of funds from operations related to Ministry of Health programs may be deducted from the approved budget for subsequent years. Additional funding is provided by the Ministry of Health-Supportive Housing through an interest reduction program on some of the Organization's long-term debt.

The Replacement Reserve Fund is used for major maintenance of owned rental properties.

The Donation Fund is funded by donations and interest and is used to finance clients' activities.

Revenue recognition

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

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

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 the subsequent period.

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 period in which the related expenses are recognized. Contributions restricted for the purchase of property, buildings, and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, buildings and equipment.

Rental revenue is recognized when services are provided.

Property, buildings and equipment

Purchased property, buildings and equipment are recorded at cost. Contributed property, buildings and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Property, buildings and equipment are amortized on a straight-line basis using the following annual rates:

Buildings	35 years
Equipment	5 years
Vehicles	7 years
Computer hardware	2 years
Leasehold	Lesser of asset useful life or lease term

Certain restrictions and guidelines exist with respect to land and buildings subsidized by Canada Mortgage and Housing Corporation and the Ontario Ministry of Health. Property, buildings and equipment that are held for sale are recorded at the lower of cost or estimated net realizable value. When property, buildings and equipment meet the criteria to be presented as held for sale, they are no longer amortized.

Compensated absences

Compensation expense is accrued for all employees as entitlements to these payments are earned, in accordance with the Organization's benefit plans for vacation.

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

All financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at amortized cost, except for investments in equity instruments, which are measured at cost less any reduction for impairment or fair value if they are quoted in an active market.

It is management's opinion that the Organization is not exposed to significant market risk, foreign currency risk, credit risk or interest rate risk as a result of these financial instruments.

3 Cash and short-term investments

	2023 \$	2022 \$
Cash and cash equivalents	12,422,972	11,292,202
Short-term equivalents	351,400	400,263
	12,774,372	11,692,465

4 Investments

Investments consist of guaranteed investment certificates (GICs) with stated interest ranging from 1.45% to 3.20% and maturity dates greater than one year. The GICs mature between June 2023 and May 2026.

5 Property, buildings and equipment

	2023		2022	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land and buildings	14,176,926	8,407,845	5,769,081	6,351,384
Leaseholds	2,304,954	2,304,954	-	-
Equipment	906,950	885,598	21,352	-
Vehicles	1,216,857	1,005,707	211,150	270,793
Computer hardware	1,223,762	1,223,762	-	-
Construction-in-progress	1,945,967	-	1,945,967	1,488,994
	21,775,416	13,827,866	7,947,550	8,111,171

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

6 Long-term debt

	2023 \$	2022 \$
Exeter North Housing Program		
1.040% mortgage, payable in monthly instalments of principal and interest of \$742, due October 2020	19,364	27,940
4.05% mortgage, payable in monthly instalments of principal and interest of \$2,154, due June 2023	6,439	31,472
Exeter North Housing III Program		
5.912% mortgage, payable in monthly instalments of principal and interest of \$1,994, due January 2024	118,371	134,799
Piccadilly Street Housing Program		
9.625% mortgage, payable in monthly instalments of principal and interest of \$391, due January, 2028	18,264	20,744
Project 3000 Housing Program		
4.05% mortgage, payable in monthly instalments of principal and interest of \$2,898, due June 2023	8,662	42,339
2.59% mortgage, payable in monthly instalments of principal and interest of \$1,142.57, due January 2023	-	11,312
2.040% mortgage, payable in monthly instalments of principal and interest of \$1,640, due April 2022	11,238	30,658
Permanent Housing Program		
1.820% mortgage, payable in monthly instalments of principal and interest of \$1,674, due June 2024	24,747	44,174
1.040% mortgage, payable in monthly instalments of principal and interest of \$1,721, due October 2020	48,334	68,199
4.05% mortgage, payable in monthly instalments of principal and interest of \$1,554, due May 2026	54,409	71,462
1.010% mortgage, payable in monthly instalments of principal and interest of \$2,103, due February 2021	111,431	135,185
1.920% mortgage, payable in monthly instalments of principal and interest of \$1,970, due April 2024	133,760	154,643
50-52 Steele Street		
1.01% mortgage, payable in monthly instalments of principal and interest of \$2,661, due February 2021	79,554	110,486
282 Highview Drive		
1.855% mortgage, payable in monthly instalments of principal and interest of \$3,836, due June 2021	231,280	271,951
657 Talbot Street, St. Thomas		
0% mortgage, forgivable on August 2033 as long as CMHA, Elgin Middlesex continues to own and operate the seven-bed facility, until then	300,000	300,000
754 Maitland, London		
Prime plus 0.5% demand loan, payable in monthly instalments of \$2,500	702,500	732,500
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	1,868,353	2,187,864
Less: Current portion	933,280	1,032,961
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	935,073	1,154,903
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Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

Future principal payments are as follows:

	\$
2023	300,461
2024	259,100
2025	223,298
2026	191,242
2027 and beyond	-
	<u>974,101</u>

The Organization has a \$200,000 operating line of credit to provide working capital and for general corporate purposes, available at prime plus 1.0%.

7 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2023 \$	2022 \$
Balance – Beginning of year	5,076,235	3,805,268
Amount received related to the following year	1,072,128	1,746,905
	<u>6,148,363</u>	<u>5,552,173</u>
Less: Amount recognized as revenue during the year	-	475,938
Balance – End of period	<u>6,148,363</u>	<u>5,076,235</u>

b) Property, buildings and equipment

Deferred capital contributions related to property, buildings and equipment represent the unamortized amount and unspent amount of donations and grants received for the purchase of property, buildings and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2023 \$	2022 \$
Balance – Beginning of year	1,795,522	2,694,636
Amount received relating to the following year	-	(224,114)
	<u>1,795,522</u>	<u>2,470,522</u>
Less: Amount recognized as revenue during the year	(279,853)	(675,000)
Balance – End of period	<u>1,515,669</u>	<u>1,795,522</u>

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

8 Adjustment for prior period funding

The statements for the year ended March 31, 2022 and other prior periods are subject to review by the Ministry of Health and consequently, a portion of the unrestricted net assets of the Organization may be refundable to the Ministry of Health. As at March 31, 2022, the following years of funding were still been unassessed – 2018/2019, 2019/2020, 2020/21 and the current year.

9 Commitments

The Organization is committed under operating leases to rent premises. The leases may be cancelled in the event that funding for the program is unavailable. The combined future lease payments are approximately as follows:

	\$
2023	633,401
2024	560,741
2025	517,541
2026	497,141
2027	497,141

10 Pension plan

The majority of full-time employees of the previous CMHA Middlesex are members of the Healthcare of Ontario Pension Plan (HOOPP). This plan is a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings. Employer contributions made to the plan during the year amounted to \$2,139,786 (2022 – \$2,082,535). The cost of pension benefits is determined by HOOPP at \$1.26 per every dollar of employee contributions.

The financial statements for the year ended December 31, 2022 for HOOPP disclosed net assets available for benefits of \$103,674,000 (2021 – \$114,414,000) with pension obligations of \$92,721,000 (2021 – \$85,902,000), resulting in a surplus of \$10,953,000 (2021 – \$28,512,000).

11 Government remittances

Included in accrued salaries and benefits are statutory remittances due as follows:

	2023 \$	2022 \$
EHT	26,470	-
Income Tax Withholdings, EI, CPP	319,088	289,314
Total government remittances	<u>345,558</u>	<u>289,314</u>

None of these remittances are in arrears.

Canadian Mental Health Association, Thames Valley Addiction and Mental Health Services

Notes to Financial Statements

March 31, 2023

12 COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. The impact of COVID-19 on the general economy has been significant and far-reaching. To date, this has not impacted the Organization's ability to collect donations and other sources of funding. However, economic conditions remain challenged and uncertain. Management continues to assess the impact of COVID-19 and the governments' responses to it on the Organization, including but not limited to: impairment for property, buildings and equipment and accounts receivable. As at the balance sheet date, management estimates no such adjustments are required.