

**CANADIAN MENTAL HEALTH ASSOCIATION
ALGOMA
FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2022

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INDEPENDENT AUDITOR'S REPORT

May 25, 2022

The Board of Directors

Qualified Opinion

I have audited the financial statements of Canadian Mental Health Association Algoma, which comprise the statement of financial position as at March 31, 2022 and its financial performance, changes in net assets and its cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, Canadian Mental Health Association Algoma derives revenue from donations, fundraising and other receipts, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore I was not able to determine whether any adjustments might be necessary to revenues and excess of revenues over expenditures for the years ended March 31, 2022 and 2021, and assets and net assets as at March 31, 2022 and 2021.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. As described in the *Basis for Qualified Opinion* section above, I was unable to obtain sufficient appropriate evidence regarding the completeness of revenue derived from donations, fundraising and other receipts. Accordingly, I am unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives is 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.

- 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

Josh Russo

Authorized to practice public accounting by The Chartered Professional Accountants of Ontario
Sault Ste. Marie, Ontario

CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
STATEMENT OF FINANCIAL POSITION

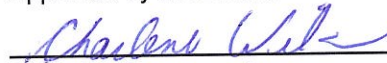
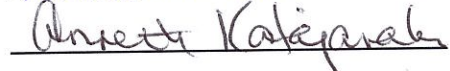
AS AT MARCH 31,	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,633,632	\$ 2,055,753
Accounts receivable	292,288	141,420
Receivable from Algoma Public Health	-	203,414
Prepaid expenses	104,348	-
Government sales tax receivable	72,486	37,531
	<u>3,102,754</u>	<u>2,438,118</u>
CAPITAL ASSETS (note 2)	102,870	84,127
	<u>\$ 3,205,624</u>	<u>\$ 2,522,245</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 192,719	\$ 180,032
Payable to the Ministry of Health and Long-Term Care (MOHLTC)	954,492	498,200
Government remittances payable	97,502	-
Deferred contributions (note 3)	473,162	698,305
	<u>1,717,875</u>	<u>1,376,537</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 4)	102,870	84,127
	<u>1,820,745</u>	<u>1,460,664</u>
NET ASSETS		
Unrestricted	1,384,879	1,061,581
	<u>\$ 3,205,624</u>	<u>\$ 2,522,245</u>

Commitments (note 5)

Approved by the Board:

The accompanying notes are an integral part of these financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
STATEMENT OF OPERATIONS AND NET ASSETS**

YEAR ENDED MARCH 31,	General	MOHLTC	2022	2021
REVENUE				
Ontario Health (note 6)	\$ 339,213	\$5,791,787	\$6,131,000	\$2,576,359
United Way of Sault Ste. Marie	100,805	-	100,805	54,195
Interest	12,132	-	12,132	1,299
Donations	38,298	-	38,298	18,733
Amortization of deferred capital contributions	-	31,461	31,461	19,419
Other (note 7)	1,334,096	-	1,334,096	758,411
Rent supplement	-	263,341	263,341	127,500
	1,824,544	6,086,589	7,911,133	3,555,916
EXPENSES				
Salaries and benefits	1,114,042	4,635,533	5,749,575	2,154,032
Rent	29,800	196,060	225,860	200,648
Telephone	6,519	60,729	67,248	35,103
Office and general	-	71,718	71,718	68,583
Purchased services	164,888	177,081	341,969	179,358
Board and staff development	6,246	83,880	90,126	19,255
Audit and legal	-	15,021	15,021	26,887
Facilities and housekeeping	2,069	6,574	8,643	12,341
Membership fees	-	7,350	7,350	3,407
Amortization of capital assets	-	31,461	31,461	19,419
Program activities and supplies	26,634	234,738	261,372	239,236
Rent supplement expense	-	112,880	112,880	17,683
Youth Mental Health Court Worker Program	79,167	-	79,167	67,135
Mental Health Programs	-	13,841	13,841	9,412
Bad debt	4,402	-	4,402	2,989
	1,433,767	5,646,866	7,080,633	3,055,488
EXCESS OF REVENUES OVER EXPENSES	390,777	439,723	830,500	500,428
Payable to Ministry of Health and Long-Term Care	-	507,202	507,202	180,768
Payable to Ministry of Children, Community and Social Services	-	-	-	2,985
	390,777	(67,479)	323,298	316,675
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR			1,061,581	744,906
UNRESTRICTED NET ASSETS, END OF YEAR			\$1,384,879	\$1,061,581

The accompanying notes are an integral part of these financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
STATEMENT OF CASH FLOWS**

YEAR ENDED MARCH 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over (under) expenses	\$ 323,298	\$ 316,675
Adjustments for:		
Amortization of capital assets	31,461	19,419
Amortization of deferred capital contributions	(31,461)	(19,419)
Accounts receivable	52,546	(332,434)
Prepaid expenses	(104,348)	-
Government sales tax receivable	(34,955)	(6,784)
Accounts payable and accrued liabilities	468,979	499,558
Government remittances payable	97,502	(6,515)
Deferred contributions	(225,143)	698,305
INCREASE IN CASH POSITION DURING THE YEAR	577,879	1,168,805
CASH POSITION, BEGINNING OF YEAR	2,055,753	886,948
CASH POSITION, END OF YEAR	\$ 2,633,632	\$ 2,055,753

The accompanying notes are an integral part of these financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2022

The Canadian Mental Health Association Algoma, (the "Association") in partnership with consumers, volunteers and service providers, strives to make a significant difference in the mental health of persons living in the Algoma District through a range of services that include support programs, advocacy, mental health promotion and education. The Association is incorporated under the Laws of Ontario and is a registered charity under the Income Tax Act.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Financial instruments:

The organization initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash and term deposits and accounts receivable.

Financial liabilities measured at cost include accounts payable.

(b) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other revenues are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured. Contributions related to expenses not yet incurred are deferred.

(c) Contributed services:

Volunteers contribute a considerable number of hours during the year to assist the Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) Capital assets:

Purchased capital assets are recorded at cost. Capital assets are amortized on the straight-line basis using the assets' estimated useful lives as per below:

Leasehold Improvements	5 years
Computer equipment	4 years
Furniture and equipment	10 years

CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

1. Significant accounting policies (continued)

(e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant areas requiring the use of estimates relate to the assessment of impairment of capital assets and the useful lives of assets for amortization.

2. Capital Assets

	2022		2021	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 30,881	\$ 30,881	\$ -	\$ -
Furniture and equipment	229,552	183,303	46,249	55,674
Computer equipment	283,567	226,946	56,621	28,453
	\$ 544,000	\$ 441,130	\$ 102,870	\$ 84,127

3. Deferred contributions

Deferred contributions represent unspent resources restricted for specific purposes. The deferred contributions balance at year end is as follows:

	2022	2021
District of Sault Ste. Marie Social Services Board (Community Homelessness Prevention Initiative)	473,162	627,500
United Way	-	70,805
Balance, end of year	473,162	698,305

CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

4. Deferred capital contributions

Deferred capital contributions represent restricted contributions with which the organization's furniture, equipment, computers and leasehold improvements were purchased. The changes in the deferred capital contributions balance for the year are as follows:

	2022	2021
Balance, beginning of year	\$ 84,127	\$ 36,658
Amortization of deferred capital contributions	(31,460)	(19,419)
Addition to deferred capital contributions	50,203	66,888
Balance, end of year	\$ 102,870	\$ 84,127

5. Commitments

The Association is under lease obligation at the following premises:

- i. 386 Queen Street East in Sault Ste. Marie, lease expiring May 31, 2027. The annual lease commitment is \$124,509, plus HST, plus a proportionate share of Realty Tax and Utilities calculated as (Total Area Leased/Total Building Area).
- ii. 334 Queen Street East in Sault Ste. Marie, lease expiring March 31, 2024. The annual lease commitment is \$43,200 annually, plus HST.
- iii. 26 St. Marie Street in Wawa, lease expiring September 30, 2022. The monthly lease commitment is \$760.

6. Ontario Health Revenue

Ontario Health funding recognized in the current year is as follows:

	2022	2021
Fiscal Allocation	\$ 6,181,203	\$ 6,205,727
Transfer to Algoma Public Health	-	(3,562,480)
Deferred capital contributions	(50,203)	(66,888)
	\$ 6,131,000	\$ 2,576,359

In the prior year, the Local Health Integration Network approved the Voluntary Integration Agreement (the "Agreement") between Algoma Public Health and the Association effective April 1, 2020 on March 31, 2021. The purpose of the agreement was for Algoma Public Health to transfer all funded mental health and addictions services to the Association by April 1, 2021. The parties have agreed to an Allocated Payment Transfer arrangement during the first phase of the Agreement (April 1, 2020 - March 31, 2021). The programs were fully transferred to the Association on April 1, 2021.

CANADIAN MENTAL HEALTH ASSOCIATION ALGOMA
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

7. Other Revenue

	2022	2021
Canada Summer Jobs	\$ 16,182	\$ 22,471
Community Homelessness Prevention Initiative Program	640,938	199,500
Human Service Justice Coordinating Committee	7,300	7,000
Seminars and fundraising	85,666	58,345
Service agreements	447,287	334,372
Youth Mental Health Court Worker	88,199	88,199
Court Support Program/Case Management	48,524	48,524
	\$ 1,334,096	\$ 758,411

8. Financial Risks

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Association manages to liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2021.

(b) Interest rate risk:

Interest rate risk is the risk of potential financial loss caused by fluctuations in fair value of future cash flow of financial instruments due to changes in market interest rates. The organization is exposed to this risk through its interest bearing deposits. The organization manages this risk through investing in fixed-rate deposits of short to medium term maturity.

9. Economic Dependence

Approximately 77% of the association's operating revenue is received from Ontario Health. The continuation of the association is dependant on this funding.