

CHILDREN'S MENTAL HEALTH SERVICES
Serving Children and Families in Hastings and
Prince Edward Counties
FINANCIAL STATEMENTS
AS AT MARCH 31, 2023

CHILDREN'S MENTAL HEALTH SERVICES
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children's Mental Health Services

Qualified Opinion

We have audited the financial statements of Children's Mental Health Services (the Organization), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, 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 Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether, as at and for the years ended March 31, 2023 and March 31, 2022, any adjustments might be necessary to donations revenue, excess of revenues over expenditures, assets and fund balances.

The organization is not accruing vacation payable within their financial statements, rather they are expensing on a claim-by-claim basis as it is requested. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. If vacation payable was accrued in accordance with Canadian accounting standards for not-for-profit organizations, the accounts payable and accrued liabilities and deferred revenue in the statement of financial position would have increased by \$165,407 (2022 - \$187,521), unrestricted net assets would have decreased by the same amount and the excess of revenues over expenditures would have increased by \$22,114 (2022 - increased by \$8,850).

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 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 qualified 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 these 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.

**INDEPENDENT AUDITOR'S REPORT
(CONT'D)**

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.

Wilkinson & Company LLP

BELLEVILLE, Canada
June 28, 2023

Chartered Professional Accountants
Licensed Public Accountants

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CHILDREN'S MENTAL HEALTH SERVICES
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

	Program Fund \$	General Fund \$	Capital Fund \$	2023 Total \$	2022 Total \$
ASSETS					
CURRENT					
Cash	403,065	42,707		445,772	769,661
Short-term investments - Note 3		266,115		266,115	266,115
Due from governments	286,272			286,272	137,984
Due from staff and other	10,252			10,252	14,307
Interfund loans - Note 4		14,580		14,580	2,528
Prepaid expenses and other assets	46,842			46,842	16,450
	746,431	323,402	NIL	1,069,833	1,207,045
TANGIBLE CAPITAL ASSETS - Note 5			1,170,938	1,170,938	254,573
	746,431	323,402	1,170,938	2,240,771	1,461,618
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities and deferred revenue	539,240			539,240	832,643
Deferred capital contributions			495,226	495,226	
Due to Ministry of Community, Children and Social Services	58,894			58,894	54,280
Due to Ministry of Health	133,717			133,717	13,143
Interfund loans - Note 4	14,580			14,580	2,528
	746,431	NIL	495,226	1,241,657	902,594
LONG-TERM					
Lease inducement - Note 6			405,438	405,438	
	746,431	NIL	900,664	1,647,095	902,594
NET ASSETS					
Unrestricted		323,402		323,402	304,451
Invested in tangible capital assets			270,274	270,274	254,573
	NIL	323,402	270,274	593,676	559,024
COMMITMENTS - Note 8					
CONTINGENCY - Note 9					
APPROVED ON BEHALF OF THE BOARD					
_____	Director				
_____	Director				
	746,431	323,402	1,170,938	2,240,771	1,461,618

The accompanying notes form an integral part of these financial statements

CHILDREN'S MENTAL HEALTH SERVICES
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	Program Fund \$	General Fund \$	Capital Fund \$	2023 Total \$	2022 Total \$
REVENUE					
Funding	6,145,434			6,145,434	6,379,836
Other revenue	4,140	3,837		7,977	2,991
Interest revenue					531
Donations		15,214		15,214	10,444
	6,149,574	19,051	NIL	6,168,625	6,393,802
EXPENDITURES					
Amortization of tangible capital assets			25,345	25,345	25,259
Insurance	53,497			53,497	51,158
Loss on disposal of tangible capital assets			5,550	5,550	8,966
Memberships and licences	21,864			21,864	25,134
Office supplies	194,228			194,228	260,458
Premises costs	426,605			426,605	340,845
Professional fees	142,936			142,936	125,517
Program services	153,732	100		153,832	181,635
Program supplies	149,736			149,736	213,157
Promotion and publications	17,988			17,988	41,059
Salaries and benefits	4,570,078			4,570,078	4,952,620
Telephone	89,284			89,284	81,824
Training	51,010			51,010	63,880
Travel	59,658			59,658	35,533
	5,930,616	100	30,895	5,961,611	6,407,045
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	218,958	18,951	(30,895)	207,014	(13,243)
NET CHANGE IN INVESTMENT IN TANGIBLE CAPITAL ASSETS	(46,596)		46,596	NIL	NIL
NET ASSETS - BEGINNING OF YEAR		304,451	254,573	559,024	585,410
MINISTRY RECOVERY	(172,362)			(172,362)	(13,143)
NET ASSETS - END OF YEAR	NIL	323,402	270,274	593,676	559,024

The accompanying notes form an integral part of these financial statements

**CHILDREN'S MENTAL HEALTH SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023**

	2023 \$	2022 \$
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue) for year	207,014	(13,243)
Adjustment for items which do not affect cash -		
Amortization of tangible capital assets	25,345	25,259
Loss on disposal of tangible capital assets	5,550	8,966
	237,909	20,982
Net change in non-cash working capital balances related to operations		
Due from governments	(148,288)	(25,706)
Due from staff and other	4,055	2,619
Prepaid expenses and other assets	(30,392)	14,391
Accounts payable and accrued liabilities and deferred revenue	(293,403)	198,191
Due to Ministry of Community, Children and Social Services	4,614	(8,250)
Due to Ministry of Health	120,574	10,996
	(342,840)	192,241
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	(104,931)	213,223
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(947,260)	
Increase in deferred capital contributions	495,226	
Increase in lease inducement	405,438	
Purchase of short-term investments	(266,115)	(266,115)
Proceeds from sale of short-term investments	266,115	265,584
CASH FLOWS USED IN INVESTING ACTIVITIES	(46,596)	(531)
FINANCING ACTIVITIES		
Ministry recovery	(172,362)	(13,143)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	(323,889)	199,549
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	769,661	570,112
CASH AND CASH EQUIVALENTS - END OF YEAR	445,772	769,661
REPRESENTED BY:		
Cash - Program Fund	403,065	728,797
Cash - General Fund	42,707	40,864
	445,772	769,661

The accompanying notes form an integral part of these financial statements

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

1. PURPOSE OF THE ORGANIZATION

Children's Mental Health Services is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada.

The Organization's objective is to be the leading provider of seamless, meaningful mental health treatment services for children and their families in Hastings and Prince Edward Counties.

2. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Organization that are considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations except as outlined in the Basis for Qualified Opinion on the Auditor's Report.

(b) Accounting Estimates

The preparation of financial instruments 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, accounts payable and accrued liabilities and deferred revenue and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

(c) Fund Accounting

The Organization follows the restricted fund method of accounting for contributions. External restrictions are imposed from outside of the Organization. Internal restrictions are imposed by Children's Mental Health Services in a formal manner, usually by resolution of the Board of Directors.

Children's Mental Health Services reports the following funds:

The Program Fund reports only restricted resources that are to be used for residential and non-residential mental health services.

The General Fund reports the receipt and disbursement of resources which have been generated from donations and volunteer activities based on the restrictions imposed by the contributors.

The Capital Fund reports the tangible capital assets of the Organization.

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

2. ACCOUNTING POLICIES (Cont'd)

(d) Tangible Capital Assets and Amortization

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Gains or losses on the disposal of individual assets are recognized in earnings in the year of disposal. Amortization of tangible capital assets, which is based on estimated useful life, is calculated on the following bases and at the rates set out below:

Asset	Basis	Rate
Buildings	Declining balance	5%
Automotive	Declining balance	30%
Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight-line	Over lease term

(e) Deferred Contributions Relating to Tangible Capital Assets

Contributions received relating to the purchase of tangible capital assets are deferred and amortized over future periods. The amortization period is based on the period used to amortize the corresponding tangible capital assets.

(f) Lease Inducement

The lease inducement is recorded at acquisition cost and is amortized on a straight-line basis over the term of the lease.

(g) Revenue Recognition

The Organization follows the restricted fund method of accounting for contributions.

Funding and other revenue relating to the Program Fund are recognized as revenue in the year that the related expenses are recognized.

Donations relating to the General Fund are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized when earned.

Provision is made for collection losses based on the Organization's past experience.

(h) Cash and Equivalents

Cash and equivalents consist of cash on deposit and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

2. ACCOUNTING POLICIES (Cont'd)

(i) Financial Instruments

(i) Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in income.

Financial assets measured at fair value include short-term investments. The fair value of these investments approximates cost plus accrued interest.

Financial assets measured at amortized cost include cash, due from governments, due from staff and other, and interfund loans.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to Ministry of Community, Children and Social Services, due to Ministry of Health, and interfund loans.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

3. SHORT-TERM INVESTMENTS

Short-term investments consists of a Guaranteed Investment Certificate bearing interest at 2.50% (2022 - 0.65%) with a maturity date of February 27, 2024. These securities are measured in accordance with the policy stated in Note 2(i)(i) to these financial statements.

4. INTERFUND LOANS

Temporary interfund loans are for general business purposes. They are non-interest bearing and there are no fixed terms for repayment.

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

5. TANGIBLE CAPITAL ASSETS

	2023		2022	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	44,373		44,373	
Buildings	429,747	281,971	429,747	274,193
Automotive	75,299	66,441	75,299	62,644
Computer equipment	78,864	41,272	39,942	33,501
Furniture and fixtures	100,175	6,000	363,763	328,213
Leasehold improvements	838,164			
	1,566,622	395,684	953,124	698,551
Cost less accumulated amortization	\$ 1,170,938		\$ 254,573	

During the year, tangible capital assets were acquired at an aggregate cost of \$947,260 (\$Nil in 2022). There were disposals of tangible capital assets for proceeds of \$Nil (2022 - \$Nil), which resulted in a loss on disposal of \$5,550 (2022 - \$8,966).

6. LEASE INDUCEMENT

During the year, the Organization entered into a new lease agreement which included a lease inducement represented by leasehold improvements covered by the landlord. As at March 31, 2023, the total cost of the lease inducement is \$405,438 and accumulated amortization is \$Nil.

7. DEMAND CREDIT FACILITY

The Organization has an available operating line demand credit facility to a maximum of \$200,000. When utilized, the operating line is due on demand, bears interest at the bank's prime rate plus 1.00% payable monthly in arrears and is secured with a general security agreement. As at year end, the credit facility utilized is \$Nil (2022 - \$Nil).

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

8. COMMITMENTS

Future minimum lease payments for operating leases (excluding future renewal period options) for premises and equipment are as follows:

	\$
2024	245,095
2025	244,111
2026	216,044
2027	178,010
2028	179,158
	1,062,418

9. ECONOMIC DEPENDENCY AND CONTINGENCY

The Organization is primarily dependent for continued funding to support existing programs by the Province of Ontario through the Ministry of Health and the Ministry of Community, Children and Social Services. The ministries are entitled to a share in any proceeds on the disposition of tangible capital assets.

10. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Organization is exposed to interest rate risk as it has short-term investments, as discussed in Note 3 of these financial statements. As interest rates change, interest earned on the investments will change. The risk is mitigated as the Organization intends to hold these short-term investments to maturity.

**CHILDREN'S MENTAL HEALTH SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

10. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

(b) Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet all cash outflow obligations as they come due.

The Organization's exposure to liquidity risk is dependent on the receipt of funds from its funding sources and donors, including those described in Note 9 of these financial statements. Risk is mitigated as the Organization has a demand credit facility, as described in Note 7 of these financial statements. There have been no significant changes from the previous period in the risk or policies, procedures and methods used to measure the risk.