

Financial Statements of

COTA HEALTH

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Members of COTA Health

Opinion

We have audited the financial statements of COTA Health (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- 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 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 Entity as at March 31, 2021, 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 Entity 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 Entity'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 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.

Auditors' Responsibility 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.



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- 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 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 Entity 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 represents 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

Vaughan, Canada

June 24, 2021

COTA HEALTH

Statement of Financial Position

March 31, 2021, with comparative information for 2020

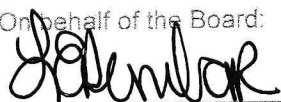
	2021	2020
Assets		
Current assets:		
Cash	\$ 12,199,800	\$ 6,945,959
Short-term investments (note 3)	689,371	621,579
Accounts receivable	1,210,499	1,109,063
Prepaid expenses	81,484	63,182
	<u>14,181,154</u>	<u>8,739,783</u>
Investments (note 3)	7,455,756	6,098,330
Capital assets (note 4)	2,884,667	2,810,480
	<u>\$ 24,521,577</u>	<u>\$ 17,648,593</u>

Liabilities and Net Assets

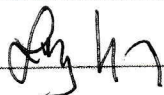
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,642,125	\$ 4,705,338
Deferred revenue (note 6)	9,992,086	5,436,755
Current portion of forgivable loan (note 8)	58,909	58,909
	<u>15,693,120</u>	<u>10,201,002</u>
Deferred capital contributions (note 7)	311,375	180,036
Forgivable loan (note 8)	1,708,339	1,708,339
	<u>17,712,834</u>	<u>12,089,377</u>
Net assets:		
Invested in capital assets (note 11(a))	782,798	839,950
Internally restricted (note 12)	6,006,321	4,706,308
Unrestricted	19,624	12,958
	<u>6,808,743</u>	<u>5,559,216</u>
Economic dependence (note 9)		
Lease commitments (note 13)		
	<u>\$ 24,521,577</u>	<u>\$ 17,648,593</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

COTA HEALTH

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Transfer payments and grants (notes 6 and 9)	\$ 65,421,556	\$ 59,365,958
Other income	1,760,142	1,625,708
Amortization of deferred capital contributions (note 7)	44,568	47,957
Net investment income (note 10)	493,508	434,610
	67,719,774	61,474,233
Expenses:		
Direct transfer payment and grant costs	64,138,727	56,928,361
Indirect transfer payment and grant costs	616,910	1,807,374
Overhead	2,546,853	2,328,250
Amortization of capital assets	101,720	107,593
	67,404,210	61,171,578
Excess of revenue over expenses from operations	315,564	302,655
Change in net unrealized gain (loss) on investments	933,963	(819,776)
Excess (deficiency) of revenue over expenses	\$ 1,249,527	\$ (517,121)

See accompanying notes to financial statements.

COTA HEALTH

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021			2020	
	Invested in capital assets (note 11(a))	Internally restricted (note 12)	Unrestricted	Total	Total
Balance, beginning of year	\$ 839,950	\$ 4,706,308	\$ 12,958	\$ 5,559,216	\$ 6,076,337
Excess (deficiency) of revenue over expenses	(57,152)	—	1,306,679	1,249,527	(517,121)
Interfund transfers (note 12)	—	1,300,013	(1,300,013)	—	—
Balance, end of year	\$ 782,798	\$ 6,006,321	\$ 19,624	\$ 6,808,743	\$ 5,559,216

See accompanying notes to financial statements.

COTA HEALTH

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 1,249,527	\$ (517,121)
Items not affecting cash:		
Amortization of capital assets	101,720	107,593
Amortization of deferred capital contributions	(44,568)	(47,957)
Unrealized loss (gain) on investments	(933,963)	819,776
Realized gain on investments	(175,219)	(185,632)
	197,497	176,659
Change in non-cash operating working capital:		
Accounts receivable	(101,436)	(215,812)
Prepaid expenses	(18,302)	1,255
Accounts payable and accrued liabilities	936,787	(435,488)
Deferred revenue	4,555,331	243,548
	5,569,877	(229,838)
Financing activities:		
Proceeds on forgivable loan	—	1,767,248
Deferred capital contributions received	175,907	37,294
	175,907	1,804,542
Investing activities:		
Sale of investments, net	(316,036)	483,676
Purchase of capital assets	(175,907)	(2,535,440)
	(491,943)	(2,051,764)
Increase (decrease) in cash	5,253,841	(477,060)
Cash, beginning of year	6,945,959	7,423,019
Cash, end of year	\$ 12,199,800	\$ 6,945,959

See accompanying notes to financial statements.

COTA HEALTH

Notes to Financial Statements

Year ended March 31, 2021

COTA Health ("COTA Health" or the "Organization") is an accredited provider of mental health and community support services. The Organization provides support to adults living with serious mental illness, geriatric mental health conditions, acquired brain injury, developmental disabilities and dual diagnosis. By enabling people to achieve greater independence, the Organization helps individuals remain in the community setting and avoid more costly hospital environments.

COTA Health delivers its services through a participative model of care involving clients, service providers, funders and community partners. COTA Health has a proud history of building community partnerships to develop integrated, cost-effective health care solutions. These community partnerships include collaborating with Local Health Integration Networks, provincial ministries and other providers of community support services.

COTA Health was incorporated on August 11, 1975 as a not-for-profit organization without share capital. On dissolution of COTA Health, any remaining assets must be given to an Ontario charitable organization. COTA Health is also registered with the federal government as a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition:

COTA Health follows the deferral method of accounting for revenue. Transfer payments received for restricted purposes are recognized as revenue in the year in which the related expenses are incurred. Transfer payments received for unrestricted purposes are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. For the year ended March 31, 2021, the Organization did not receive unrestricted contributions (2020 - nil).

Revenue received in advance of incurring the related expenses are deferred and recorded in the statement of operations when the related expenses are incurred.

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

Deferred capital contributions represent the unamortized amount of transfer payments received and spent for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the respective assets purchased using these contributions. Contributed land is recorded as a direct increase to net assets.

Donations are recorded when received. Pledges outstanding at year end are not recorded in the financial statements. Rental income is recorded as services are performed.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributions of capital assets and leasehold improvements are capitalized at fair value at the date of contribution. Capital assets are amortized when they are available for use, using the following bases and annual rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Computer software	Straight line	33-1/3%
Furniture and equipment	Declining balance	20%
Building	Straight line	3-1/3%
Leasehold improvements	Straight line	Term of lease

In the year of acquisition, only 50% of the amortization is recorded.

Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

(d) Contributed services and materials:

Contributed services and materials are not recognized in the financial statements because of the difficulty in determining their fair value.

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(e) Financial assets and liabilities:

Financial instruments are recorded at fair value upon initial recognition. 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 not 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.

(f) Use of estimates:

The preparation of 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. Actual results could differ from those estimates.

2. Banking facility:

COTA Health has a \$1,000,000 revolving operating line of credit. Interest is charged at the bank's prime rate plus 1.75% per annum and the facility is secured by a general security agreement. As at March 31, 2021 and 2020, no amounts were drawn on the facility.

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments:

COTA Health's investment portfolio comprises publicly traded securities and pooled funds. Debt securities pay interest quarterly, semi-annually or annually at fixed rates. Fair values are based on the quoted market prices of the securities.

Investments consist of the following:

	2021	2020
Canadian equities	\$ 1,386,763	\$ 1,105,567
Foreign equities	2,245,050	1,574,142
Fixed income pooled funds	3,823,943	3,418,621
	<u>\$ 7,455,756</u>	<u>\$ 6,098,330</u>

Short-term investments consist of the following:

	2021	2020
Money market securities	\$ 532,209	\$ 531,993
Cash	157,162	89,586
	<u>\$ 689,371</u>	<u>\$ 621,579</u>

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,860,198	\$ —	\$ 1,860,198	\$ 1,860,198
Building	632,752	31,256	601,496	622,217
Computer equipment	1,524,038	1,507,536	16,502	27,314
Computer software	979,745	979,745	—	—
Furniture and equipment	2,099,176	1,939,625	159,551	195,725
Leasehold improvements	1,820,646	1,573,726	246,920	105,026
	<u>\$ 8,916,555</u>	<u>\$ 6,031,888</u>	<u>\$ 2,884,667</u>	<u>\$ 2,810,480</u>

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Government remittances payable:

At year end, COTA Health had remittances payable to the government of \$62,497 (2020 - \$70,621) that are included in accounts payable and accrued liabilities.

6. Deferred revenue:

Deferred revenue represents unspent transfer payment funds received. Changes in the deferred revenue balance are as follows:

	2021	2020
Balance, beginning of year	\$ 5,436,755	\$ 5,193,207
Amounts received	73,825,768	63,093,290
Amounts recognized as revenue	(65,527,038)	(59,346,735)
Transfers to deferred capital contributions	(175,907)	(37,294)
Amounts returned to funders	(3,567,492)	(3,465,713)
Balance, end of year	\$ 9,992,086	\$ 5,436,755

Included in transfer payments and grants is an amount of nil (2020 - \$19,223) for funding not yet received. Included in amounts recognised as revenue is an amount of \$105,481 (2020 - nil) included in other income

7. Deferred capital contributions:

The changes in the deferred capital contributions balance are as follows:

	2021	2020
Balance, beginning of year	\$ 180,036	\$ 190,699
Contributions received and used to purchase capital assets	175,907	37,294
Amortization of deferred capital contributions	(44,568)	(47,957)
Balance, end of year	\$ 311,375	\$ 180,036

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Forgivable loan:

In January 2020, COTA Health received a forgivable loan from the City of Toronto (Housing Secretariat) (the "City") through the provincial program of Ontario Priorities Housing Initiative Program. The total amount approved was \$1,963,609 in the form of a 30-year interest free forgivable loan. Terms of the grant are detailed in a contribution agreement between the City and COTA Health.

At each anniversary of the occupancy date, the City will forgive 1/30th of the grant until it is fully forgiven. During the term of the grant, if COTA Health violates any condition in the contribution agreement, the City has the right to demand repayment of the unforgiven portion of the grant from Cota Health.

The first portion of the grant of \$1,767,248 was used to purchase the land of a residential property which COTA will be configuring to an affordable rental facility to accommodate 10 low income residents. Over the term of grant, Cota Health has committed to charging rent at no more than the affordable housing rental rates established by the City. The second portion of the grant of \$196,361 is used to re-configure the property in order to accommodate the 10 residents and has not been received as of year-end.

9. Transfer payments and grants:

The following summarizes transfer payments and grants by main funders:

	2021	2020
Ministry of Children, Community and Social Services ("MCCSS")	\$ 41,926,456	\$ 36,802,680
Toronto Central Local Health Integrated Network ("TCLHIN")	9,233,944	8,784,698
Central Local Health Integrated Network ("CLHIN")	6,914,955	6,998,933
Ministry of Health and Long Term Care (Supportive Housing)	3,904,239	3,176,798
Ministry of Health and Long Term Care (Direct funding)	1,080,148	1,059,540
Partnerships and other	1,696,715	1,735,951
City of Toronto	665,099	807,358
	<u>\$ 65,421,556</u>	<u>\$ 59,365,958</u>

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Transfer payments and grants (continued):

COTA receives approximately 89% (2020 - 89%) of its funding from the MCCSS, TCLHIN and CLHIN.

10. Net investment income:

	2021	2020
Interest and dividends	\$ 352,170	\$ 297,386
Net realized gain on sale of investments	175,219	185,632
Investment management fees	(33,881)	(48,408)
	<u>\$ 493,508</u>	<u>\$ 434,610</u>

11. Net assets invested in capital assets:

(a) Net assets invested in capital assets consist of the following:

	2021	2020
Capital assets	\$ 2,884,667	\$ 2,810,480
Amounts financed by deferred capital contributions (note 7)	(311,375)	(180,036)
Amounts financed by other funds	(23,246)	(23,246)
Amounts financed by long-term debt	(1,767,248)	(1,767,248)
	<u>\$ 782,798</u>	<u>\$ 839,950</u>

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. Net assets invested in capital assets (continued):

(b) The net change in net assets invested in capital assets is as follows:

	2021	2020
Net changes in net assets invested in capital assets:		
Purchase of capital assets	\$ 175,907	\$ 2,535,440
Amounts financed by deferred capital contributions (note 7)	(175,907)	(37,294)
Amounts financed by long-term debt (note 9)	—	(1,767,248)
	—	730,898
Excess (deficiency) of revenue over expenses:		
Amortization of capital assets	(101,720)	(107,593)
Amortization of deferred capital contributions (note 7)	44,568	47,957
	(57,152)	(59,636)
	\$ (57,152)	\$ 671,262

12. Internally restricted net assets:

On June 5, 2017, the Board of Directors approved a revision of the Reserve Fund Policy to expand the fund balance of the Contingency Fund and reclassify the Organization Development Fund into two new categories namely the Service Enhancement Fund and Strategic Initiatives Fund. The Contingency Fund shall have a minimum balance of \$3,400,000 at all times. The Service Enhancement Fund shall have an annual allocation that equals 3% of the Contingency Fund balance and be used to enhance services delivery for COTA Health's programs. The Strategic Initiatives Fund shall hold the remaining balance of the total reserve and shall be used to advance the strategic mission and interests of the Organization. The table below presents the reclassification of this internally restricted fund in accordance with the Board of Directors resolution.

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Internally restricted net assets (continued):

The internally restricted net assets comprise the following:

	Balance, beginning of year	Allocation to Service Enhancement Fund	Interfund transfers	Balance, end of year
Contingency Fund	\$ 3,400,000	\$ —	\$ —	\$ 3,400,000
Service Enhancement Fund	186,760	102,000	—	288,760
Strategic Initiatives Fund	1,119,548	(102,000)	1,300,013	2,317,561
	<u>\$ 4,706,308</u>	<u>\$ —</u>	<u>\$ 1,300,013</u>	<u>\$ 6,006,321</u>

13. Lease commitments:

COTA Health is obligated to make the following approximate future minimum annual payments under operating leases for premises and office equipment, which expire at various dates up to October 31, 2026:

2022	\$ 1,109,034
2023	858,082
2024	780,971
2025	649,484
2026	176,137
Thereafter	—
	<u>\$ 3,573,708</u>

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial risks and concentrations of credit risk:

(a) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Organization's short-term and long-term investments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase (decrease) in the excess of revenue over expenses. There has been no change to the risk exposure from 2020.

(b) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Organization.

The Organization's credit risk concentration is spread among listed equity securities, as discussed under market price risk above. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is made only once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker.

The Organization is also exposed to credit risk with respect to accounts receivable and deposits. The Organization assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible. There has been no change to the risk exposure from 2020.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income funds will generally rise if interest rates rise and decrease if interest rates fall. Changes in interest may also affect the value of equity securities. The interest rate risk exposure is managed through the Board of Directors' approved policy of allocation of investable assets. There has been no change to the risk exposure from 2020.

COTA HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Financial risks and concentrations of credit risk (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities.

The Organization believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. Further details about the investments are included in note 3.

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policies approved by the Board of Directors. There has been no change to the risk exposure from 2020.

(e) Market risk:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels, which may also have a direct impact on the Organization's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Organization is not known at this time.