Financial statements of
COTA Health

March 31, 2024

Deloitte.

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Independent Auditor's Report

To the Members of
COTA Health

Opinion

We have audited the financial statements of COTA Health (the "Organization"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 audit opinion.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 28, 2024

COTA Health

Statement of financial position

As at March 31, 2024

	Notes	2024 $	2023 $
Assets			
Current assets			
Cash		**22,726,308**	17,818,328
Short-term investments	3	**589,569**	573,679
Accounts receivable		**3,324,164**	1,865,912
Prepaid expenses		**55,543**	122,653
		26,695,584	20,380,572
Investments	3	**7,954,044**	7,225,045
Capital and intangible assets	4	**6,439,938**	5,184,415
		41,089,566	32,790,032
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	**8,204,714**	8,037,080
Deferred revenue	6	**19,633,268**	14,182,129
Current portion of mortgage payable	7	**74,335**	192,249
Current portion of forgivable loan	9	**58,909**	59,909
		27,971,226	22,471,367
Deferred capital contributions	8	**2,096,031**	635,155
Mortgage payable	7	**1,223,057**	1,175,961
Forgivable loan	9	**1,531,612**	1,589,521
		32,821,926	25,872,004
Economic dependence	10		
Lease commitments	14		
Net assets			
Invested in capital and intangible assets	12(a)	**1,455,994**	1,531,620
Internally restricted	13	**6,811,646**	5,386,408
		8,267,640	6,918,028
		41,089,566	32,790,032

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

On behalf of the Board

______________________, Director

______________________, Director

COTA Health

Statement of operations

Year ended March 31, 2024

	Notes	2024 $	2023 $
Revenue			
Transfer payments and grants	6 and 10	**88,400,462**	76,327,130
Other income	9	**2,340,990**	2,924,671
Amortization of deferred capital contributions	8	**34,553**	30,014
Net investment income	11	**1,574,351**	461,217
		92,350,356	79,743,032
Expenses			
Direct transfer payment and grant costs		**88,990,567**	76,047,945
Indirect transfer payment and grant costs		**1,060,135**	428,667
Overhead		**1,286,736**	2,768,960
Amortization of capital and intangible assets		**151,226**	113,301
		91,488,664	79,358,873
Excess of revenue over expenses from operations		**861,692**	384,159
Change in net unrealized gain (loss) on investments		**487,920**	(575,017)
Excess (deficiency) of revenue over expenses		**1,349,612**	(190,858)

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

	Notes	Invested in capital and intangible assets $	Internally restricted $	Unrestricted $	2024 Total $	2023 Total $
Balance, beginning of year		**1,531,620**	**5,386,408**	**—**	**6,918,028**	7,108,886
Excess (deficiency) of revenue over expenses	12(b)	**(57,764)**	**1,500,838**	**(93,462)**	**1,349,612**	(190,858)
Investment in capital and intangible assets	12(b)	**(17,862)**	**17,862**	**—**	**—**	—
Interfund transfers	13	**—**	**(93,462)**	**93,462**	**—**	—
Balance, end of year		**1,455,994**	**6,811,646**	**—**	**8,267,640**	6,918,028

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

COTA Health
Statement of cash flows
Year ended March 31, 2024

	2024 $	2023 $
Operating activities		
Excess (deficiency) of revenue over expenses	**1,349,612**	(190,858)
Items not affecting cash		
Amortization of capital and intangible assets	**151,226**	113,301
Amortization of deferred capital contributions	**(34,553)**	(30,014)
Unrealized (gain) loss on investments	**(487,920)**	575,017
Realized gain on investments	**(23,132)**	(112,261)
Loan forgiveness earned	**(58,909)**	(58,909)
	896,324	296,276
Change in non-cash operating working capital		
Accounts receivable	**(1,458,252)**	(479,604)
Prepaid expenses	**67,110**	13,795
Accounts payable and accrued liabilities	**167,634**	2,551,791
Deferred revenue	**5,451,139**	(2,210,005)
	5,123,955	172,253
Financing activities		
Mortgage proceeds on Safe Beds Site - 1266 Danforth	**—**	1,368,210
Mortgage payments	**(70,818)**	—
Deferred capital contributions received	**1,495,429**	269,498
	1,424,611	1,637,708
Investing activities		
(Purchase) sale of investments, net	**(233,837)**	479,147
Purchase of capital and intangible assets	**(1,406,749)**	(2,150,432)
	(1,640,586)	(1,671,285)
Increase in cash	**4,907,980**	138,676
Cash, beginning of year	**17,818,328**	17,679,652
Cash, end of year	**22,726,308**	17,818,328

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

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, 2024, the Organization did not receive unrestricted contributions (nil in 2023).

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

Deferred capital contributions represent the unamortized amount of transfer payments received and spent for the purchase of capital and intangible 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 and intangible assets

Purchased capital and intangible assets are recorded at cost. Contributions of capital and intangible assets and leasehold improvements are capitalized at fair value at the date of contribution. Capital and intangible 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

1. Significant accounting policies (continued)

(c) Capital and intangible assets (continued)

In the year of acquisition, only 50% of the amortization is recorded. Construction in progress does not commence amortization until it is complete and ready for use.

Capital and intangible 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 and intangible 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.

(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, 2024 and 2023, no amounts were drawn on the facility.

3. Investments

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

Long-term investments consist of the following:

	2024	2023
	$	$
Canadian equities	**1,958,176**	1,870,692
Foreign equities	**2,033,272**	1,826,943
Fixed income pooled funds	**3,962,596**	3,527,410
	7,954,044	7,225,045

Short-term investments consist of the following:

	2024	2023
	$	$
Money market securities	**573,365**	547,484
Cash	**16,204**	26,195
	589,569	573,679

4. Capital and intangible assets

	Cost	**Accumulated Amortization**	**2024 Net book value**	2023 Net book value
	$	**$**	**$**	$
Land	**3,322,598**	**—**	**3,322,598**	3,322,598
Building	**2,767,779**	**112,495**	**2,655,284**	1,069,988
Construction in progress	**—**	**—**	**—**	212,678
Computer equipment	**1,524,038**	**1,515,285**	**8,753**	12,504
Computer software	**979,745**	**979,745**	**—**	—
Furniture and equipment	**2,118,814**	**2,021,675**	**97,139**	121,423
Leasehold improvements	**2,091,139**	**1,734,975**	**356,164**	445,224
	12,804,113	**6,364,175**	**6,439,938**	5,184,415

5. Government remittances payable

At year end, COTA Health had remittances payable to the government of $4,072 ($2,937 in 2023) 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:

	2024	2023
	$	$
Balance, beginning of year	**14,182,129**	16,392,134
Amounts received	**95,491,530**	78,020,659
Amounts recognized as revenue	**(88,400,462)**	(76,327,130)
Transfers to deferred capital contributions	**(1,495,429)**	(212,678)
Amounts returned to funders	**(144,500)**	(3,690,856)
Balance, end of year	**19,633,268**	14,182,129

Included in transfer payments and grants is an amount of $271,000 ($91,292 in 2023) for funding not yet received.

7. Mortgage on 1266 Danforth Safe Beds site

The Organization purchased a property located at 1266 Danforth Avenue, Toronto, Ontario (the ”property”), for $1.9 million during the fiscal year 2023. The property’s purchase closing date was May 9, 2022. The Organization funded $403,000 of the purchase price, through its reserves, and the remainder 75%, or $1,425,000, through a mortgage repayable over 180 months or 15 years, with an interest rate of 4.40% and monthly repayments in the amount of $10,828.

The future repayments of the mortgage for the next five years and thereafter are as follows:

Fiscal year	Principal repayment	Interest paid	Remaining principal balance
	$	$	$
2025	74,335	55,598	1,223,057
2026	77,193	52,761	1,145,864
2027	80,396	49,688	1,065,468
2028	84,111	46,116	981,357
2029	87,991	42,380	893,366
Thereafter	893,366	182,707	—

8. Deferred capital contributions

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

	2024	2023
	$	$
Balance, beginning of year	**635,155**	395,671
Contributions received and used to purchase capital and intangible assets	**1,495,429**	269,498
Amortization of deferred capital contributions	**(34,553)**	(30,014)
Balance, end of year	**2,096,031**	635,155

9. 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 Hosing 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.

10. Transfer payments and grants

The following summarizes transfer payments and grants by main funders:

	2024	2023
	$	$
Ministry of Children, Community and Social Services ("MCCSS")	**58,793,923**	49,719,208
Ontario Health Toronto Central (OH Toronto)	**12,679,899**	10,900,972
Ontario Health Central (OH Central)	**7,619,775**	6,910,535
Ministry of Health (Supportive Housing)	**5,460,976**	4,642,782
Ministry of Health (Direct funding)	**1,116,556**	1,069,431
Partnerships and other	**1,643,499**	1,719,654
City of Toronto	**1,085,834**	1,364,548
	88,400,462	76,327,130

COTA receives approximately 89% (88% in 2023) of its funding from the MCCSS, OH Toronto and OH Central.

11. Net investment income

	2024	2023
	$	$
Interest and dividends	**645,454**	394,724
Net realized gain on sale of investments	**974,013**	112,261
Investment management fees	**(45,116)**	(45,769)
	1,574,351	461,217

12. Net assets invested in capital and intangible assets

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

	2024 $	2023 $
Capital and intangible assets	**6,439,938**	5,184,415
Amounts financed by deferred capital contributions (Note 8)	**(2,096,031)**	(635,155)
Amounts financed by long-term debt	**(2,887,913)**	(3,017,640)
	1,455,994	1,531,620

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

	2024 $	2023 $
Net changes in net assets invested in capital and intangible assets		
Purchase of capital and intangible assets	**1,406,749**	2,150,432
Amounts financed by deferred capital contributions (Note 8)	**(1,495,429)**	(269,498)
Amounts financed by long-term debt (Note 7)	**—**	(1,368,210)
Mortgage payments	**70,818**	—
	(17,862)	512,724
Deficiency of revenue over expenses		
Amortization of capital and intangible assets	**(151,226)**	(113,301)
Amortization of deferred capital contributions (Note 8)	**34,553**	30,014
Loan forgiveness (Note 9)	**58,909**	58,909
	(57,764)	(24,378)
	(75,626)	488,346

13. 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.

13. Internally restricted net assets (continued)

The internally restricted net assets comprise the following:

	Balance beginning of year $	Interfund transfers $	**Balance end of year $**
Contingency Fund	3,400,000		**3,400,000**
Service Enhancement Fund	306,000	(143,311)	**162,689**
Strategic Initiatives Fund	1,680,408	1,568,549	**3,248,957**
	5,386,408	1,425,238	**6,811,646**

14. 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, 2025:

	$
2025	690,878
2026	193,131
	884,009

15. 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 2023.

(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 2023.

15. Financial risks and concentrations of credit risk (continued)

(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. The Organization is also exposed to interest rate risk as a result of its mortgage on the Safe Beds site, which is mitigated through a fixed interest rate. Other than with respect to the mortgage entered into in 2023, there has been no change to the risk exposure from 2023.

(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 2023.