

**WATERLOO REGIONAL HOMES
FOR MENTAL HEALTH INC.**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Waterloo Regional Homes for Mental Health Inc.

We have audited the accompanying financial statements of **Waterloo Regional Homes for Mental Health Inc.**, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the operating agreements with the Government agencies that provide funding.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the operating agreements with the Government agencies that provide funding, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Waterloo Regional Homes for Mental Health Inc.** as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the operating agreements with the Government agencies that provide funding.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the reporting requirements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Directors of **Waterloo Regional Homes for Mental Health Inc.**, and the Government agencies that provide funding and should not be used by any other parties.



Cambridge, Ontario
June 2, 2015

CHARTERED ACCOUNTANTS, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015

	Operating Fund	Capital Fund	Replacement Reserve Fund	Subsidy Reserve Fund	2015 Total	2014 Total
	\$	\$	\$	\$	\$	\$
Revenue						
MOHLTC funding	1,258,532		19,000		1,277,532	1,272,068
WWLHN funding	6,752,023				6,752,023	6,409,911
Settlements payable	(285,471)				(285,471)	(477,937)
Rental revenue	1,596,468				1,596,468	1,526,854
Forgiveness of mortgage	39,440				39,440	39,442
Amortization of deferred contributions related to capital assets	35,393	25,082			60,475	68,979
Interest and other income	176,594		8,446		185,040	219,017
Replacement reserve contributions			87,320		87,320	85,020
	9,572,979	25,082	114,766		9,712,827	9,143,354
Expenditure						
Salaries and benefits	4,876,863				4,876,863	4,925,333
Market rent	2,147,733				2,147,733	2,074,616
Office supplies	139,834				139,834	119,459
Professional development	34,562				34,562	38,604
Replacement reserve contribution	87,320				87,320	74,533
Condo fees	1,024				1,024	
Office rent	111,245				111,245	116,209
Travel	135,395				135,395	128,672
Insurance	45,403				45,403	30,435
Repairs and maintenance	447,853				447,853	322,117
Telephone and utilities	249,521				249,521	246,790
Property taxes	75,011				75,011	69,841
Mortgage interest	20,285				20,285	22,107
Amortization	87,365	25,082			112,447	130,013
Professional fees	749,314				749,314	319,560
Miscellaneous	299,159				299,159	301,458
Bank and interest	6,170				6,170	5,875
One-time expenses	73,392				73,392	34,794
Capital expenses			8,267		8,267	8,310
	9,587,449	25,082	8,267		9,620,798	8,968,726
Excess (deficiency) of revenue over expenditure for year	(14,470)	NIL	106,499	NIL	92,029	174,628

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**STATEMENT OF FUND BALANCES
YEAR ENDED MARCH 31, 2015**

	Operating Fund	Capital Fund	Replacement Reserve Fund	Subsidy Reserve Fund	2015 Total	2014 Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	1,229,065	NIL	1,567,769	3,843	2,800,677	2,626,049
Excess (deficiency) of revenue over expenditure for year	(14,470)		106,499		92,029	174,628
Balance, end of year	1,214,595	NIL	1,674,268	3,843	2,892,706	2,800,677

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**FINANCIAL POSITION
AS AT MARCH 31, 2015**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2015 Total \$	2014 Total \$
ASSETS						
Cash	1,204,508		1,674,268	3,843	2,882,619	3,604,748
Accounts receivable	397,949				397,949	129,849
Prepaid expenses	121,476				121,476	151,052
Current assets	1,723,933		1,674,268	3,843	3,402,044	3,885,649
Capital assets (note 3)	1,725,564	620,023			2,345,587	1,973,793
	3,449,497	620,023	1,674,268	3,843	5,747,631	5,859,442
LIABILITIES						
Accounts payable (note 4)	541,738				541,738	633,150
Subsidies repayable	177,582				177,582	354,845
Tenant deposits	96,653				96,653	101,387
Deferred revenue	7,968				7,968	7,968
Long-term debt (note 6)	261,953				261,953	98,740
Current liabilities	1,085,894				1,085,894	1,196,090
Deferred revenue	190,982				190,982	200,000
Long-term debt (note 6)	322,229				322,229	586,380
Deferred contributions related to capital assets (note 5)	635,797	620,023			1,255,820	1,076,295
	2,234,902	620,023			2,854,925	3,058,765
FUND BALANCES						
Externally restricted			1,674,268	3,843	1,678,111	1,571,612
Unrestricted	1,214,595				1,214,595	1,229,065
	1,214,595		1,674,268	3,843	2,892,706	2,800,677
	3,449,497	620,023	1,674,268	3,843	5,747,631	5,859,442

APPROVED ON BEHALF OF THE BOARD:

Director

Director

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015**

	2015	2014
	\$	\$
Cash flows from operating activities:		
Excess of revenue over expenditure for year	92,029	174,628
Items not involving cash:		
Amortization	112,447	130,013
Amortization of deferred contributions related to capital assets	(60,475)	(68,979)
	144,001	235,662
Net change in non-cash working capital balances related to operations		
Accounts receivable	(268,100)	(28,129)
Prepaid expenses	29,576	(20,407)
Accounts payable	(91,412)	(137)
Subsidies repayable	(177,263)	(200,783)
Deferred revenue	(9,018)	
Tenant deposits	(4,734)	(2,567)
	(376,950)	(16,361)
Cash flows from investment activities:		
Additions to capital assets	(484,241)	(6,969)
Cash flows from financing activities:		
Change in deferred contributions related to capital assets	240,000	3,813
Repayment of long-term debt	(100,938)	(99,118)
	139,062	(95,305)
Net decrease in cash	(722,129)	(118,635)
Cash, beginning of year	3,604,748	3,723,383
Cash, end of year	2,882,619	3,604,748

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

EXPLANATORY FINANCIAL NOTES YEAR ENDED MARCH 31, 2015

1. Nature of Operations

Waterloo Regional Homes for Mental Health Inc. is a charitable organization that provides and facilitates access to a wide range of affordable housing and/or individualized, flexible community support services. The agency is committed to improving the quality of life of persons experiencing or recovering from mental health issues while respecting the individual's needs, rights and choices.

The Organization was incorporated as a charitable organization without share capital under the Corporations Act of Ontario by letters patent dated December 9, 1980 and as such is not taxable for income tax purposes.

2. Summary of Significant Accounting Policies

This summary of the major accounting policies of the Organization is presented in order to assist the reader in evaluating the financial statements contained herein. These policies are in accordance with Canadian generally accepted accounting principles with the exception of certain policies prescribed under the project operating agreements with Government agencies that provide funding and described elsewhere herein. These policies have been followed consistently in all material respects for the periods covered:

(a) Fund accounting

To ensure observation of restrictions placed on the use of resources available to Waterloo Regional Homes for Mental Health Inc., the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The **Capital fund**, received capital project funding from the Province of Ontario for the purposes of purchasing and renovating the Garden Street property. The asset and related funds have been recorded under the Capital Asset Fund. Certain additional funds raised by the Organization to bridge the gap between the actual cost of the project and the funding received have also been recorded as part of the Capital fund.

The **Replacement reserve fund**, is maintained in accordance with the project operating agreements, which require the Organization to establish a reserve fund for the replacement of capital equipment for all operating projects.

Maximum annual contributions to this reserve fund are determined under the agreements. As further outlined in the agreements, the Corporation is required to record interest earned on the balance of such contributions as income in the replacement reserve fund.

Contributions required under the various operating agreements are expensed in the financial statements in accordance with those agreements. Voluntary contributions to the reserve fund are recorded as inter-fund transfers.

The **Subsidy reserve fund**, has set aside certain monies to be used to meet future subsidy requirements for income-tested occupants over and above the maximum government assistance provided.

(b) Revenue recognition

Contributions are recorded using the deferral method under which restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized monthly in accordance with rental agreements.

(c) Capital assets

Capital assets include completed rental housing projects which are recorded at cost and include land, buildings and fixtures and equipment.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

2. Summary of Significant Accounting Policies (Continued)

(c) Capital assets (continued)

Costs incurred to modernize or improve existing rental housing projects which have the effect of extending the useful life of the property or increase its value, will be reflected as replacement reserve fund expenses in the year of occurrence.

(d) Amortization of capital assets

The Organization amortizes capital assets using the following annual rates and methods:

Building and equipment - housing projects	as per housing agreements (generally equal to mortgage principal repaid during the year)
Building and equipment - other	40 years straight-line
Leasehold improvements	5 years straight-line
Office furniture and equipment	7 years straight-line

(e) Deferred contributions

In certain instances, the Organization receives funds from the provincial government and other supporters to offset specific expenses. When these funds are received prior to incurring the related expenses, they are shown as deferred contributions.

(f) Financial instruments

All financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(g) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.

(h) Use of estimates

Certain services provided by the Organization are funded by grants from the Ministry of Health and Long Term Care. This funding is subject to annual government review subsequent to the Organization's year end through a settlement process whereby certain unspent funds may be requested to be repaid. This process is subject to a certain amount of negotiation and budget reallocations thus the amounts recognized in the accounts for such items are based on management's best information and judgement. The preparation of financial statements requires management to make estimates and assumptions that affect reported assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates.

3. Capital Assets

	Operating Fund	Capital Fund	2015 Total	2014 Total
	\$	\$	\$	\$
Cost				
Land	546,505	170,000	716,505	716,505
Building	2,489,625	774,927	3,264,552	2,780,312
Leasehold improvements	125,699		125,699	125,699
Office furniture and equipment	675,524	58,437	733,961	733,961
	3,837,353	1,003,364	4,840,717	4,356,477
Accumulated amortization				
Building	1,361,296	324,904	1,686,200	1,597,897
Leasehold improvements	125,699		125,699	125,699
Office furniture and equipment	624,794	58,437	683,231	659,088
	2,111,789	383,341	2,495,130	2,382,684
Net Book Value	1,725,564	620,023	2,345,587	1,973,793

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2015**

4. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

5. Deferred Contributions Related to Capital Assets

Deferred contributions include the unamortized portions of contributions with which the Organization built or renovated certain properties it operates in Waterloo Region. Externally restricted contributions are included in deferred contributions related to capital assets.

Deferred contributions are being amortized on the same basis as the asset to which they relate.

	2015	2014
	\$	\$
6. Long-Term Debt		
2.97% First mortgage repayable in blended monthly instalments of \$374, secured by Joseph Street property and maturing in March 2016	4,413	8,696
4.963% First mortgage repayable in blended monthly instalments of \$1,967, secured by Cambridge property and maturing in November 2017	150,544	166,331
3.067% First mortgage repayable in blended monthly instalments of \$2,446, secured by Victoria Street property and maturing in April 2016	209,720	232,296
2.40% First mortgage repayable in blended monthly instalments of \$2,028, secured by Madison Avenue property and maturing in October 2015	219,505	238,357
Interest free first mortgage forgivable over 15 years in equal annual amounts, secured by MonteCarlo Street properties		19,720
Interest free first mortgage forgivable over 15 years in equal annual amounts, secured by Daytona Street properties		19,720
	584,182	685,120
Current portion due within one year	261,953	98,740
	322,229	586,380

Principal repayments for the next three years are approximately as follows:

2016	261,953
2017	207,496
2018	114,733
	584,182

7. Lease Commitment

The Organization entered into a lease arrangement for office space located at 618 King Street West, Kitchener, Ontario.

In addition, in the normal course of business the Organization enters into term leases for residential properties which are subsequently sublet to clients. These leases are normally for three years and expire at various times throughout the year. Total annual cost for these leases is approximately \$1,700,000.

8. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the reporting date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its long-term debt.

Credit risk

The entity is exposed to credit risk with respect to its accounts receivable. The entity regularly assesses the collectibility of its accounts receivable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

Interest rate risk

The entity is exposed to interest rate risk on its fixed interest rate financial instruments, which subject the entity to a fair value risk. The entity is exposed to this type of risk as a result of its long-term debt.

9. Comparative Figures

Comparative figures have, in some instances, been restated in order to present them in a form comparable to those for the current year.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2015

	Health Care \$	Other Programs \$	Bungalows \$	Margaret, Garden, Joseph, Fergus \$	Victoria, Cambridge, Madison \$	Rent Supplement \$	2015 Total \$	2014 Total \$
Revenue								
MOHL/TC funding				3,975	241,234	1,013,323	1,258,532	1,252,668
WWLHIN funding	6,752,023						6,752,023	6,409,911
Settlements payable	(285,471)						(285,471)	477,937
Rental revenue			54,418	186,754	58,547	1,296,749	1,596,468	1,526,854
Forgiveness of mortgage			39,440				39,440	39,442
Interest and other income	34,185	139,679		2,467	136	127	176,594	211,903
Amortization of deferred contributions related to capital assets	35,393						35,393	43,897
	6,536,130	139,679	93,858	193,196	299,917	2,310,199	9,572,979	9,006,738
Expenditure								
Salaries and benefits	4,669,616	76,904	11,564	19,666	99,113	2,147,733	4,876,863	4,925,333
Market rent							2,074,616	2,074,616
Office supplies	139,080			125	629		139,834	119,459
Professional development	34,562						34,562	38,604
Replacement reserve contribution			37,785	36,569	12,966		87,320	74,533
Condo fees				1,024			1,024	
Office rent	111,245						111,245	116,209
Travel	135,395						135,395	128,672
Insurance	34,554		1,849	4,897	4,103		45,403	30,435
Repairs and maintenance	227,218		20,293	66,666	60,563	73,113	447,853	322,117
Telephone and utilities	87,543		10,782	32,384	37,293	81,519	249,521	246,790
Property taxes	23,841		11,585	24,511	15,074		75,011	69,841
Mortgage interest				199	20,086		20,285	22,107
Amortization	35,393			1,882	50,090		87,365	104,931
Professional fees	734,627	8,315				6,372	749,314	319,560
Miscellaneous	296,886	(202)		1,001		1,474	299,159	301,458
Bank and interest	6,170						6,170	5,875
One time expense		73,392					73,392	34,794
	6,536,130	158,409	93,858	188,924	299,917	2,310,211	9,587,449	8,935,334
Excess (deficiency) of revenue over expenditure for year	NIL (18,730)	NIL	4,272	NIL (12)	(14,470)	71,404

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

MARGARET, GARDEN, JOSEPH AND FERGUS
YEAR ENDED MARCH 31, 2015

	Margaret Condos \$	Garden Street \$	Joseph Street \$	Fergus Avenue \$	2015 Total \$	2014 Total \$
Revenue						
MOHLTC funding		2,600	1,375		3,975	4,199
Rental revenue	4,572	108,694	32,093	41,395	186,754	187,995
Interest and other income		2,467			2,467	1,309
	4,572	113,761	33,468	41,395	193,196	193,503
Expenditure						
Salaries and benefits		9,000	4,266	6,400	19,666	16,800
Office supplies				125	125	
Replacement reserve contribution		32,441	2,591	1,537	36,569	27,228
Condo fees	1,024				1,024	
Insurance		2,700	997	1,200	4,897	4,315
Repairs and maintenance	717	30,626	11,772	23,551	66,666	61,824
Telephone and utilities	1,789	15,525	6,519	8,551	32,384	43,955
Property taxes	1,042	23,469			24,511	23,950
Mortgage interest			199		199	324
Amortization			1,882		1,882	3,919
Miscellaneous			4,233	(3,232)	1,001	11,188
	4,572	113,761	32,459	38,132	188,924	193,503
Excess of revenue over expenditure for year	NIL	NIL	1,009	3,263	4,272	NIL

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**VICTORIA, CAMBRIDGE, MADISON
YEAR ENDED MARCH 31, 2015**

	Victoria Street \$	Cambridge Colborne \$	Madison Avenue \$	2015 Total \$	2014 Total \$
Revenue					
MOHLTC funding	101,921	62,540	76,773	241,234	216,586
Rental revenue	22,801	20,322	15,424	58,547	59,927
Interest and other income	136			136	165
	124,858	82,862	92,197	299,917	276,678
Expenditure					
Salaries and benefits	37,135	22,199	39,779	99,113	82,745
Office supplies		376	253	629	112
Replacement reserve contribution	3,240	1,860	7,866	12,966	7,140
Insurance	1,800	1,200	1,103	4,103	3,473
Repairs and maintenance	28,899	20,649	11,015	60,563	62,141
Telephone and utilities	16,548	11,587	9,158	37,293	34,801
Property taxes	11,530	3,544		15,074	14,393
Mortgage interest	6,779	7,819	5,488	20,086	21,783
Amortization	18,927	13,628	17,535	50,090	50,090
	124,858	82,862	92,197	299,917	276,678
Excess of revenue over expenditure for year	NIL	NIL	NIL	NIL	NIL

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

**RENT SUPPLEMENT
YEAR ENDED MARCH 31, 2015**

	Homelessness Phase 2 \$	Service Enhancement \$	Additions \$	2015 Total \$	2014 Total \$
Revenue					
MOHLTC funding	803,187	107,025	103,111	1,013,323	1,031,883
Rental revenue	1,022,835	167,410	106,504	1,296,749	1,232,443
Interest and other income	127			127	
	1,826,149	274,435	209,615	2,310,199	2,264,326
Expenditure					
Market rent	1,702,309	257,245	188,179	2,147,733	2,074,616
Repairs and maintenance	62,685	1,715	8,713	73,113	105,455
Telephone and utilities	53,321	15,475	12,723	81,519	78,101
Professional fees	6,372			6,372	
Miscellaneous	1,474			1,474	17,382
Bank and interest					22
	1,826,161	274,435	209,615	2,310,211	2,275,576
Excess (deficiency) of revenue over expenditure for year	(12)	NIL	NIL	(12)	(11,250)

The explanatory financial notes form an integral part of these financial statements.

WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC.

SCHEDULE OF REPLACEMENT RESERVE BALANCES
YEAR ENDED MARCH 31, 2015

	Joseph	Fergus	Colborne	Victoria	Madison	Bungalows	Garden	Sheldon	2015 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Beginning balance	154,581	112,421	148,189	239,417	156,879	252,818	466,831	36,633	1,567,769
Revenue									
Interest/rebates earned	833	606	798	1,290	845	1,362	2,515	197	8,446
Government subsidy	2,280		3,048	4,595	2,997		6,080		19,000
Contribution from operations	2,591	1,537	1,860	3,240	7,866	37,785	32,441		87,320
Expenses									
	5,704	2,143	5,706	9,125	11,708	39,147	41,036	197	114,766
	182	8,085							8,267
Excess of revenue over expenditure	5,522 (5,942)	5,706	9,125	11,708	39,147	41,036	197	106,499
Ending balance	160,103	106,479	153,895	248,542	168,587	291,965	507,867	36,830	1,674,268

The explanatory financial notes form an integral part of these financial statements.