THRESHOLDS HOMES AND SUPPORTS

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2026

MARCH 31, 2026
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Thresholds Homes and Supports

Opinion

We have audited the financial statements of **Thresholds Homes and Supports** (the Organization), which comprise the statement of financial position as at March 31, 2026, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2026, and its financial performance 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 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 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 opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization to comply with the financial reporting provisions of the operating agreements with the Government agencies that provide funding. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Board of Directors and Members of **Thresholds Homes and Supports** and the Government agencies that provide funding and should not be used by any other parties.

Responsibility 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 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.

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 the Board of Directors 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 AUDITORS' REPORT (CONTINUED)

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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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 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.

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Cambridge, Ontario
TO BE DETERMINED

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

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2026

	Operating Fund $	Capital Fund $	Dunara Capital Fund $	Replacement Reserve Fund $	Subsidy Reserve Fund $	2026 Total $	2025 Total $
Revenue							
MOH funding	3,078,620					3,078,620	3,186,708
Ontario Health funding	10,047,537					10,047,537	9,910,524
County of Wellington funding	1,369,130					1,369,130	150,179
Region of Waterloo funding	433,958					433,958	236,153
Rental revenue	2,744,537					2,744,537	2,670,372
Amortization of deferred contributions related to capital assets (note 5)	196,430	37,920				234,350	219,629
Replacement reserve contributions				99,961		99,961	124,487
Settlements payable (recovery)	(91,414)					(91,414)	(110,863)
Donations	30,383					30,383	28,757
Interest and other income	64,909			91,242		156,151	239,654
	17,874,090	37,920		191,203		18,103,213	16,655,600
Expenditure							
Salaries and benefits	10,551,578					10,551,578	8,912,264
Market rent (note 7)	3,801,208					3,801,208	3,709,132
Contracted services	541,220					541,220	781,790
Repairs and maintenance	620,314					620,314	559,825
Office rent (note 7)	359,064					359,064	395,428
Utilities	325,201					325,201	336,517
Travel	235,161					235,161	218,187
Program costs	247,609					247,609	332,759
Office supplies	107,953					107,953	92,822
Professional fees	113,541					113,541	140,459
Professional development	77,590					77,590	65,587
Telephone expenses	111,994					111,994	103,276
Information technology	172,302					172,302	141,090
Insurance	99,224					99,224	98,780
Mortgage interest	169,599					169,599	160,856
Property taxes	46,376					46,376	39,351
Replacement reserve contributions	99,961					99,961	96,486
Advertising	7,734					7,734	11,458
Bank and interest	10,481					10,481	18,085
Bad debt	15,280					15,280	6,291
Amortization	399,212	44,808	31,896			475,916	407,599
	18,112,602	44,808	31,896			18,189,306	16,628,042
Excess (deficiency) of revenue over expenditure before undernoted item	(238,512)	(6,888)	(31,896)	191,203		(86,093)	27,558
Gain on the disposition of property							579,271
Excess (deficiency) of revenue over expenditure for year	(238,512)	(6,888)	(31,896)	191,203	NIL	(86,093)	606,829

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

STATEMENT OF FUND BALANCES
YEAR ENDED MARCH 31, 2026

	Operating Fund $	Capital Fund $	Dunara Capital Fund $	Replacement Reserve Fund $	Subsidy Reserve Fund $	2026 Total $	2025 Total $
Balance, beginning of year	**3,007,432**	**324,172**	**1,014,272**	**3,258,710**	**3,843**	**7,608,429**	7,001,600
Excess (deficiency) of revenue over expenditure for year	**(238,512)**	**(6,888)**	**(31,896)**	**191,203**		**(86,093)**	606,829
Interfund transfers	**378,183**			**(378,183)**			
Balance, end of year	**3,147,103**	**317,284**	**982,376**	**3,071,730**	**3,843**	**7,522,336**	7,608,429

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

FINANCIAL POSITION
AS AT MARCH 31, 2026

	Operating Fund $	Capital Fund $	Dunara Capital Fund $	Replacement Reserve Fund $	Subsidy Reserve Fund $	2026 Total $	2025 Total $
ASSETS							
Cash	**2,710,443**	**12,832**	**211,270**	**3,071,730**	**3,843**	**6,010,118**	6,051,821
Accounts receivable	**329,633**					**329,633**	425,611
Prepaid expenses	**347,750**					**347,750**	180,644
Current assets	**3,387,826**	**12,832**	**211,270**	**3,071,730**	**3,843**	**6,687,501**	6,658,076
Capital assets (note 4)	**16,321,030**	**491,933**	**771,106**			**17,584,069**	17,258,761
	19,708,856	**504,765**	**982,376**	**3,071,730**	**3,843**	**24,271,570**	23,916,837
LIABILITIES							
Accounts payable (note 3)	**832,436**					**832,436**	876,275
Subsidies repayable	**1,985,524**					**1,985,524**	1,773,365
Tenant deposits	**63,664**					**63,664**	67,918
Deferred revenue	**977,697**					**977,697**	274,111
Long-term debt (note 6)	**112,537**					**112,537**	2,126,280
Current liabilities	**3,971,858**					**3,971,858**	5,117,949
Deferred revenue							140,230
Long-term debt (note 6)	**5,433,924**					**5,433,924**	3,528,808
Deferred contributions related to capital assets (note 5)	**7,155,971**	**187,481**				**7,343,452**	7,521,421
	16,561,753	**187,481**				**16,749,234**	16,308,408
FUND BALANCES							
Externally restricted		**317,284**	**982,376**	**3,071,730**	**3,843**	**4,375,233**	4,600,997
Unrestricted	**3,147,103**					**3,147,103**	3,007,432
	3,147,103	**317,284**	**982,376**	**3,071,730**	**3,843**	**7,522,336**	7,608,429
	19,708,856	**504,765**	**982,376**	**3,071,730**	**3,843**	**24,271,570**	23,916,837

APPROVED ON BEHALF OF THE BOARD:

_____________________________ Director

_____________________________ Director

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

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2026

	2026 $	2025 $
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year	**(86,093)**	606,829
Items not involving cash:		
Amortization	**475,916**	407,599
Amortization of deferred contributions related to capital assets	**(234,350)**	(219,629)
Gain on disposition of property		(579,271)
	155,473	215,528
Net change in non-cash working capital balances related to operations		
Accounts receivable	**95,978**	2,224,821
Prepaid expenses	**(167,106)**	9,882
Accounts payable	**(43,839)**	(155,736)
Subsidies repayable	**212,159**	102,276
Deferred revenue	**563,356**	141,659
Tenant deposits	**(4,254)**	(1,750)
	811,767	2,536,680
Cash flows from investment activities:		
Additions to capital assets	**(801,224)**	(1,807,557)
Net proceeds on disposal of capital assets		625,268
	(801,224)	(1,182,289)
Cash flows from financing activities:		
Repayment of long-term debt	**(108,627)**	(95,810)
Addition to deferred contributions related to capital assets	**56,381**	150,000
	(52,246)	54,190
Net increase (decrease) in cash	**(41,703)**	1,408,581
Cash, beginning of year	**6,051,821**	4,643,240
Cash, end of year	**6,010,118**	6,051,821

1. Nature of Operations

Thresholds Homes and Supports is a charitable organization that provides and facilitates access to a wide range of affordable housing and/or individualized, flexible community support services. The Organization 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. On May 1, 2020, the Organization amalgamated with Dunara Homes. As the Organization is a charitable organization, it 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. The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include significant accounting policies. These policies are in accordance with the terms of the operating agreements with the government agencies that provide funding and 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 Thresholds Homes and Supports, 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 **Operating fund** accounts for the revenue and expenditures related to the operating and administration of Thresholds Homes and Supports.

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 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 **Dunara Capital fund**, was created through the amalgamation of Thresholds Homes and Supports and Dunara Homes on May 1, 2020. The home at 85 Dean Avenue in Guelph, along with cash, clients and employees were maintained after the amalgamation.

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.

Minimum annual contributions to this reserve fund are determined under the agreements. As further outlined in the agreements, the Organization 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 interfund 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.

2. Summary of Significant Accounting Policies (Continued)

(c) Capital assets

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

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 expenditures 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	25-50 years straight-line
Leasehold improvements	12 years straight-line
Office furniture and equipment	7 years straight-line

(e) Deferred revenue

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 revenue.

(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. 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. Accounts Payable and Accrued Liabilities

	2026 **$**	2025 $
Accounts payable and accrued liabilities	**752,195**	809,254
Government remittances payable	**80,241**	67,021
	832,436	876,275

4. Capital Assets	Operating Fund $	Capital Fund $	Dunara Capital Fund $	2026 Total $	2025 Total $
Cost					
Land	**2,879,505**	**170,000**	**186,945**	**3,236,450**	3,236,450
Building and improvements	**15,986,094**	**943,619**	**780,110**	**17,709,823**	16,917,434
Leasehold improvements	**230,601**			**230,601**	230,601
Office furniture and equipment	**835,680**	**58,437**	**3,441**	**897,558**	888,723
	19,931,880	**1,172,056**	**970,496**	**22,074,432**	21,273,208
Accumulated amortization					
Building and improvements	**2,704,228**	**621,686**	**197,908**	**3,523,822**	3,083,571
Leasehold improvements	**182,526**			**182,526**	163,314
Office furniture and equipment	**724,096**	**58,437**	**1,482**	**784,015**	767,562
	3,610,850	**680,123**	**199,390**	**4,490,363**	4,014,447
Net Book Value	**16,321,030**	**491,933**	**771,106**	**17,584,069**	17,258,761

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. Included in deferred contributions is a forgivable loan from CMHC for $1,826,121 which is being amortized over 20 years as per the loan agreement.

Deferred contributions are being amortized on the same basis as the asset to which they relate. The changes in the deferred contributions for the year are as follows:

Balance beginning of year	**7,521,421**	7,591,050
Amortization of deferred contributions	**(234,350)**	(219,629)
Contributions received during the year	**56,381**	150,000
	7,343,452	7,521,421

6. Long-Term Debt

	2026 $	2025 $
4.57% First mortgage repayable in blended monthly installments of $7,577 secured by Lawrence Avenue property and maturing December 2045	**1,185,513**	1,228,197
Prime plus 1% First mortgage repayable in principal monthly installments of $3,397 plus interest secured by Speedvale Avenue property and maturing October 2045	**798,394**	833,118
2.86% First mortgage repayable in blended monthly installments of $11,217 starting in June 2025 secured by 292 Sheldon property and maturing September 2032	**3,562,554**	3,590,000
0.68% First mortgage repayable in blended monthly installments of $1,888 secured by Madison Avenue property and matured May 2025		3,773
	5,546,461	5,655,088
Current portion due within one year	**112,537**	2,126,280
	5,433,924	3,528,808

Future principal repayments for the next five years and thereafter are approximately as followed:

2027	**112,537**
2028	**114,624**
2029	**118,464**
2030	**121,184**
2031 and thereafter	**5,079,652**
	5,546,461

The above years refer to the Organization's fiscal year, and not the calendar year.

7. Lease Commitment

In October 2015, the Organization entered into a lease arrangement for office space located at 236 Victoria Street North, Kitchener, Ontario. The term of the lease is from May 2016 until September 2028. In April 2023, the Organization entered into a sublease for additional space at the same location. The term of the sublease is from July 2023 to March 2026. Total annual lease payments are approximately $350,000. In October 2025 the original lease was expanded and amended to include the additional, previously subleased space, and effective April 2026 all leased space will be covered by this agreement.

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 $3,801,000.

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 year end 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 accounts payable, subsidies repayable and 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 and floating interest rate financial instruments. Fixed-rate instruments subject the entity to a fair value risk while floating-rate instruments subject the entity to a cash flow 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 reclassified in order to present them in a form comparable to those for the current year.

SCHEDULE OF REPLACEMENT RESERVE BALANCES
YEAR ENDED MARCH 31, 2026

	Joseph $	Fergus $	Colborne $	Victoria $	Madison $	Bungalows $	Garden $	290 Sheldon $	292 Sheldon $	2026 Total $
Beginning balance	142,364	185,829	519,509	525,639	577,918	385,807	806,323	46,819	68,502	**3,258,710**
Revenue										
Interest earned	4,263	5,374	14,896	12,213	16,564	11,007	23,175	1,337	2,413	**91,242**
Contribution from operations	17,838	6,486	7,017	5,263	7,140		15,676		40,541	**99,961**
	22,101	11,860	21,913	17,476	23,704	11,007	38,851	1,337	42,954	**191,203**
Expenditure										
Building improvements				(378,183)						**(378,183)**
Excess (deficiency) of revenue over expenditure	22,101	11,860	21,913	(360,707)	23,704	11,007	38,851	1,337	42,954	**(186,980)**
Ending balance	164,465	197,689	541,422	164,932	601,622	396,814	845,174	48,156	111,456	**3,071,730**