

Financial statements of

**Canadian Mental Health
Association - York Region Branch**

March 31, 2016

Canadian Mental Health Association -York Region Branch

March 31, 2016

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Independent Auditor's Report

To the Directors of
Canadian Mental Health Association - York Region

We have audited the accompanying financial statements of Canadian Mental Health Association - York Region Branch (the "Association"), which comprise the statement of financial position as at March 31, 2016 and the statement of revenue and expenditures, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 the auditor's 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, the auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenues from donations and certain community events, the completeness of which is not susceptible to satisfactory audit verification. Therefore, we were not able to determine whether adjustments might be necessary to donations and certain community events revenue, excess of revenue over expense, and cash flows from operations for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1 and March 31 for both years. Our opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the possible effect of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2016 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.



Chartered Professional Accountants
Licensed Public Accountants
May 30, 2016

Canadian Mental Health Association - York Region Branch

Statement of revenue and expenditures
year ended March 31, 2016

	Community support programs (Note 3)	Core programs (Note 3)	2016 Total	2015 Total
	\$	\$	\$	\$
Revenue				
Ministry of Health and Long-Term Care ("MOHLTC") and Central Local Health Integration Network ("LHIN")	14,582,956	-	14,582,956	10,123,139
Other income	-	99,795	99,795	61,702
United Way - York Region	-	192,956	192,956	192,955
United Way - Greater Simcoe County	-	60,000	60,000	49,785
Amortization of deferred capital contributions (Note 8)	218,139	-	218,139	185,729
Fundraising (Note 10)	-	571,399	571,399	645,819
Ministry of Children and Youth Services (Note 11)	-	120,068	120,068	110,068
Interest	-	4,558	4,558	5,555
Federal Government	-	111,268	111,268	-
Regional Municipality of York	-	1,176	1,176	8,400
	14,801,095	1,161,220	15,962,315	11,383,152
Expenditures				
Salaries and benefits	12,252,136	527,773	12,779,909	8,748,629
Program	1,312,849	210,641	1,523,490	1,281,095
Plant	647,782	13,959	661,741	582,660
Administration, human resources and information systems	113,711	34,082	147,793	158,944
Amortization	218,139	63,671	281,810	247,842
Other	172,446	-	172,446	82,459
Sessional fees	63,446	-	63,446	47,854
Equipment	20,586	15,042	35,628	13,723
	14,801,095	865,168	15,666,263	11,163,206
Excess of revenue over expenditures	-	296,052	296,052	219,946

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

Canadian Mental Health Association - York Region Branch

Statement of changes in net assets
year ended March 31, 2016

	2016	2015
	\$	\$
Balance, beginning of year	892,731	676,724
Recovery settlements (Note 9)	(9,519)	(3,939)
Excess of revenue over expenditures	296,052	219,946
Balance, end of year	1,179,264	892,731



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

Canadian Mental Health Association - York Region Branch

Statement of financial position
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	1,901,927	1,684,338
Accounts receivable	248,339	257,950
Prepaid expenses	86,984	44,696
	2,237,250	1,986,984
Capital assets (Note 5)	607,067	665,277
	2,844,317	2,652,261
Liabilities		
Current liabilities		
Accounts payable and accrued charges (Note 6)	1,307,305	1,120,072
Deferred contributions (Note 7)	70,398	348,214
Deferred capital contributions (Note 8)	287,350	291,244
	1,665,053	1,759,530
Comittments and contingencies (Note 12)		
Net assets	1,179,264	892,731
	2,844,317	2,652,261

Approved by the Board

 Director June 16/16
 Director June 16/16

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

Canadian Mental Health Association - York Region Branch

Statement of cash flows
year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenditures	296,052	219,946
Items not affecting cash		
Amortization of capital assets	281,810	247,842
Amortization of deferred capital contributions	(218,139)	(185,729)
	359,723	282,059
Changes in non-cash working capital items		
Accounts receivable	9,611	(71,617)
Prepaid expenses	(42,288)	33,663
Accounts payable and accrued charges	187,233	601,117
Deferred contributions	(277,816)	45,614
	236,463	890,836
Investing activities		
Purchase of capital assets	(223,600)	(514,297)
Financing activities		
Deferred capital contributions received	214,245	372,920
Recovery settlement MOHLTC/LHIN	(9,519)	(3,939)
	204,726	368,981
Net cash inflow	217,589	745,520
Cash and cash equivalents, beginning of year	1,684,338	938,818
Cash and cash equivalents, end of year	1,901,927	1,684,338

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

Canadian Mental Health Association - York Region Branch

Notes to the financial statements

March 31, 2016

1. Nature of organization

The Canadian Mental Health Association - York Region and South Simcoe ("CMHA" or the "Association") is committed to be an Association of excellence in mental health and support the resilience and recovery of people experiencing mental illness.

The Association was incorporated as a not-for-profit organization under the laws of the Province of Ontario in 1988. As a non-profit organization, the Association is exempt from income taxes and has charitable status.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, term deposits, money market mutual funds and a mortgage and short-term income fund with maturities of three months or less.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Association has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the Statement of revenue and expenditures.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the Statement of revenue and expenditures.

Capital assets

Capital assets are stated at cost. Amortization is calculated on the straight-line basis over their estimated useful lives as follows:

Automobile	6 years
Equipment	3 years
Leasehold improvements	Lease term

Impairment of long-lived assets

The Association follows the Canadian accounting standard for impairment of long-lived assets, which requires that an impairment loss should be recognized when events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

The Association has determined that there was no impairment of long-lived assets as at March 31, 2016.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Contributions externally restricted are recognized as revenue in the year in which the related expenses are recognized. The Association actively fundraises and unrestricted contributions are recorded as revenue when received.

Grants and donations used to fund the acquisition of capital assets are included in deferred capital contributions and are amortized on the same basis as the related capital assets.

Canadian Mental Health Association - York Region Branch

Notes to the financial statements

March 31, 2016

2 Significant accounting policies (continued)

Guarantees

The Association follows Accounting Guideline 14 - disclosure of guarantees, which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees.

The Association has disclosed its guarantees in Note 15.

Administrative expenditures

Certain administrative expenditures common to each program are allocated to the programs based on management's best estimate of the services provided or expenses incurred by the program.

Contributed services

Volunteers contribute an undeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year ended. The actual results may differ from those estimates. Accounts requiring significant estimates and assumptions include the useful lives of capital assets and accrued charges.

3. Programs

Activities related to programming financed by the Ministry of Health and Long Term Care ("MOHLTC") and the Central Local Health Integration Network ("LHIN") are reported as Community Support Programs. All other activities of the Association, including fundraising are reported as Core Programs.

4. Cash and cash equivalents

	2016	2015
	\$	\$
Cash	1,016,089	798,500
Term deposits	702,505	702,505
Money market mutual funds	136,898	136,898
Mortgage and short-term income fund	46,435	46,435
	1,901,927	1,684,338

5. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Automobile	165,066	48,583	116,483	117,559
Equipment	798,211	572,082	226,129	234,935
Leasehold improvements	655,546	391,091	264,455	312,783
	1,618,823	1,011,756	607,067	665,277

Canadian Mental Health Association - York Region Branch

Notes to the financial statements
March 31, 2016

5. Capital assets (continued)

During the current fiscal year the Association purchased \$223,600 (2015 - \$514,297) of capital assets and reduced the cost and accumulated amortization by \$96,218 (2015 - \$127,143) for capital assets that were fully amortized and no longer in use.

Investment in capital assets is calculated as follows:

	2016	2015
	\$	\$
Capital assets	607,067	665,277
Amounts funded by deferred capital contributions (Note 8)	287,350	291,244
	319,717	374,033

6. Accounts payable and accrued charges

	2016	2015
	\$	\$
Trade payables and accrued charges	622,599	648,788
Salaries and benefits payable	555,332	277,274
Payable to funders (Note 9)	50,444	42,543
Vacation accrual	66,930	136,467
Annual general meeting	12,000	15,000
	1,307,305	1,120,072

7. Deferred contributions

Deferred contributions represent unspent resources externally restricted for specific purposes.

Changes in the deferred contribution balance are as follows:

	2016	2015
	\$	\$
Deferred contributions, beginning of year	348,214	302,600
Add		
Ride don't hide	20,523	298,341
	368,737	600,941
Less: amount recognized as revenue during the year	298,339	252,727
Deferred contributions, end of year	70,398	348,214

Canadian Mental Health Association - York Region Branch

Notes to the financial statements
March 31, 2016

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received from the MOHLTC and LHIN and other funders for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expenditures.

The change in deferred capital contributions balance for the year is as follows:

	2015	Grants received	Recognized as revenue	2016
	\$	\$	\$	\$
Ministry of Health and Long-Term Care and Central Local Health Integration Network	291,244	214,245	(218,139)	287,350

9. Accumulated excess of revenues over expenditures

For the year ended March 31, 2016, the estimated settlement to funders related to the current year funding was recorded in the statement of financial position within accounts payable and accrued charges in the amount of \$4,699 (2015 - \$3,202).

Additionally, during the year an amount of \$9,519 relating to prior years (2015 - \$3,939 relating to prior years) was settled and was recorded as a change to net assets on the statement of changes in net assets.

10. Fundraising

	2016	2015
	\$	\$
Fundraising revenue		
Fundraising, donation	408,169	617,998
Mobile Clinic	121,529	239,000
Youth Wellness	41,701	71,306
	<u>571,399</u>	<u>928,304</u>
Transfer to deferred contribution	-	282,485
Fundraising revenue net of amounts transferred to deferred contribution	571,399	645,819
Fundraising expenses	128,594	354,421
	<u>442,805</u>	<u>291,398</u>
Allocated to Community support and core programs	216,009	127,513
Fundraising revenue available for general operations	<u>226,796</u>	<u>163,885</u>

Canadian Mental Health Association - York Region Branch

Notes to the financial statements

March 31, 2016

11. Contracts with Ministry of Children and Youth Services

The Association has a Service Contract/CFSA (Child and Family Services Act) Approval ("Contract") with the Ministry of Children and Youth Services. The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Contract.

Under the terms of the Contract the Association received total funding of \$120,068 (2015 - \$110,068). A summary of the Contract is as follows:

CMHA Cost Centre Ministry Detail Code	Youth Mental Health Court A854 2016	Other Counselling Services A839 2016	Total 2016	Total 2015
	\$	\$	\$	\$
Total contract revenue	85,068	35,000	120,068	110,068
Expenses				
Salaries	60,128	18,649	78,777	75,543
Benefits	18,139	4,375	22,514	18,389
Travel	3,844	3,619	7,463	3,995
Staff training	-	-	-	275
Building accommodation	1,975	1,194	3,169	1,610
Office and miscellaneous	982	7,163	8,145	865
Allocated central administration	-	-	-	4,615
	85,068	35,000	120,068	105,292
Surplus	-	-	-	4,776

12. Commitments and contingencies

Commitments

The Association is committed to the following minimum annual lease payments under operating leases for its premises and certain equipment:

	\$
2017	326,927
2018	322,364
2019	338,280
2020	287,145
2021	207,266
Thereafter	50,275
	1,532,257

Contingencies

In the normal course of operations, the Association may be party to lawsuits, claims and contingencies. Provisions are made in instances where it is probable that liabilities have been incurred and where such liabilities can be estimated. While the outcome of such matters may not be estimated with certainty, management will actively defend against such claims.

Canadian Mental Health Association - York Region Branch

Notes to the financial statements

March 31, 2016

13. Pension plan

The Association participates in a multi-employer defined contribution pension plan administered by the Canadian Mental Health Association. The expense for this plan is equal to the Association's required contribution for the year. The pension expense for the year was \$273,769 (2015 - \$263,474).

14. Financial dependence

The Association derives approximately 88% (2015 - 94%) of its annual funding from the MOHLTC and the LHIN.

15. Guarantees

In the normal course of business, the Association enters into agreements that meet the definition of a guarantee. The Association's primary guarantees subject to disclosure requirements are as follows:

- (a) The Association has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Association agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and or officers of the Association for various items including, but not limited to, all costs to settle suits or actions due to association with the Association, subject to certain restrictions. The Association has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Association. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Association from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Association has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

16. Capital management

The Association considers its net assets, credit facilities and deferred capital contributions as its capital.

Net assets

As a not-for-profit organization, the Association operations are reliant on revenues generated annually. The Association has accumulated net assets over its history to March 31, 2016 of \$1,179,264 (2015 - \$892,731) which are presented in the statement of financial position as net assets.

The net assets represent capital that may be utilized for general operations, portions of which are potentially refundable to the Ministry of Health and Long-Term Care and the Central Local Health Integration Network with the remainder to be reserved by the Board of Directors to be used by the Association only for special projects and working capital and only at the discretion of the Board of Directors.

Credit facilities

The Association has an operating line of credit in the amount of \$150,000. The line bears interest at prime plus 2.5% and is payable on demand. At March 31, 2016, no amounts had been drawn against the line of credit.

Canadian Mental Health Association - York Region Branch

Notes to the financial statements

March 31, 2016

16. Capital management (continued)

Deferred capital contributions

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2016, the Association was in compliance with all restrictions applicable to these funding sources.

17. Fair values and risk management

Fair value

The fair value of the Association's primary financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued charges approximates their carrying value due to the short-term nature of these instruments.

Interest rate risk

The Association is exposed to interest rate risk on its cash and cash equivalents. The Association does not use any hedging instruments to manage this risk.

Credit rate risk

The Association's credit risk is primarily attributable to its accounts receivables. The Association manages this risk through proactive collection polices.

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows generated from operations to meets its requirements. As at March 31, 2016, the most significant financial liabilities are accounts payable and accrued charges.