

**Canadian Mental Health Association - York and South Simcoe
Branch
Financial Statements
For the Year Ended March 31, 2020**

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Independent Auditor's Report

To the Directors of Canadian Mental Health Association - York and South Simcoe Branch

Qualified Opinion

We have audited the accompanying financial statements of Canadian Mental Health Association - York and South Simcoe Branch (the "Association"), which comprise the statement of financial position as at March 31, 2020, 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1, 2019 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Association 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 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 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 Association'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 Association'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 Association 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

June 23, 2020
Newmarket, Ontario

**Canadian Mental Health Association - York and South Simcoe
Branch
Statement of Financial Position**

March 31	2020	2019
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 4,561,703	\$ 3,645,651
Accounts receivable	492,916	280,237
Prepaid expenses	325,687	181,495
	5,380,306	4,107,383
Tangible capital assets (Note 3)	810,563	797,242
	\$ 6,190,869	\$ 4,904,625
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 3,059,874	\$ 2,273,176
Deferred contributions (Note 5)	705,444	614,920
Current portion of deferred capital contributions (Note 6)	279,019	289,556
	4,044,337	3,177,652
Long-term portion of deferred capital contribution (Note 6)	449,513	357,089
	4,493,850	3,534,741
Commitments and contingencies (Note 14)		
Net Assets	1,697,019	1,369,884
	\$ 6,190,869	\$ 4,904,625

On behalf of the Board:

Monica Handley

Director

Erbyn Schlander

Director

**Canadian Mental Health Association - York and South Simcoe
Branch
Statement of Changes in Net Assets**

For the year ended March 31	2020	2019
Balance, beginning of the year	\$ 1,369,884	\$ 1,048,943
Excess of revenues over expenses	327,135	320,941
Balance, end of the year	\$ 1,697,019	\$ 1,369,884

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

**Canadian Mental Health Association - York and South Simcoe
Branch
Statement of Revenues and Expenses**

For the year ended March 31	2020	2019
Revenues		
Central Local Health Integration Network ("LHIN") (Note 7)	\$15,032,347	\$ 14,361,718
CMHA - Ontario Structured Psychotherapy (Note 8)	7,702,884	5,011,289
Regional Municipality of York (Note 9)	1,776,875	1,265,613
Transfer payments - CMHA - Toronto, CMHA - Barrie (Note 10)	1,001,840	1,033,295
Ministry of Health and Long Term Care (Note 11)	921,093	431,500
Fundraising (Note 12)	378,438	424,932
Amortization of deferred capital contributions (Note 6)	366,548	272,435
United Way - Greater Toronto, York Region, South Simcoe	207,456	230,681
Other income	127,538	169,054
Ministry of Children and Youth Services (Note 13)	110,068	94,068
Interest	49,815	30,613
	<u>27,674,902</u>	<u>23,325,198</u>
Expenses		
Salaries and benefits	21,847,108	18,335,720
Program	2,601,682	1,977,636
Occupancy	1,152,128	1,124,349
Rent Supplement	825,058	568,612
Amortization	435,114	341,001
Administration, human resources and information systems	378,582	483,694
Equipment	108,095	173,245
	<u>27,347,767</u>	<u>23,004,257</u>
Excess of revenues over expenses	\$ 327,135	\$ 320,941

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

**Canadian Mental Health Association - York and South Simcoe
Branch
Statement of Cash Flows**

For the year ended March 31	2020	2019
Cash flows from operating activities		
Excess of revenues over expenses	\$ 327,135	\$ 320,941
Items not affecting cash:		
Amortization of tangible capital assets	435,114	568,612
Amortization of deferred capital contributions	(366,548)	(272,435)
	<u>395,701</u>	<u>617,118</u>
Changes in non-cash working capital:		
Accounts receivable	(212,679)	23,350
Prepaid expenses	(144,192)	(68,769)
Accounts payable and accrued liabilities	786,698	456,314
Deferred contributions	90,524	546,634
	<u>916,052</u>	<u>1,574,647</u>
Cash flows used in investing activities		
Purchase of tangible capital assets	(448,434)	(168,534)
Cash flows from financing activities		
Deferred capital contributions received	448,434	158,363
Net increase in cash and cash equivalents	916,052	1,336,864
Cash and cash equivalents, beginning of the year	3,645,651	2,308,787
Cash and cash equivalents, end of the year	\$ 4,561,703	\$ 3,645,651

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

**Canadian Mental Health Association - York and South Simcoe
Branch
Notes to Financial Statements**

March 31, 2020

1. Significant Accounting Policies

Nature and Purpose of Organization The Canadian Mental Health Association - York and South Simcoe Branch ("CMHA" or the "Association") is committed to being an Association of excellence in mental health and supports 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.

Basis of Accounting The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less.

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

The Association's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities which are recorded at amortized cost.

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

1. Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Equipment	Straight-line	3-6 years
Leasehold improvements	Straight-line	Lease term

When a tangible capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenues and expenses. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of revenues and expenses, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of revenues and expenses. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of revenues and expenses, provided that all restrictions have been complied with.

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

1. Significant Accounting Policies (continued)

Revenue Recognition	<p>The Association follows the deferral method of accounting for contributions.</p> <p>Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, and when the amount is determinable and collection is reasonably assured.</p> <p>Fundraising revenues are recorded as revenue when received. Fundraising revenues received for events occurring in the subsequent years are deferred until the event occurs.</p> <p>Grant revenues used to fund the acquisition of tangible capital assets are included in deferred capital contributions and are amortized on the same basis as the related tangible capital assets.</p>
Contributed Services	<p>Volunteers contribute many hours per year to assist the Association in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Administrative Expenditures	<p>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.</p>
Use of Estimates	<p>The preparation of financial statements in accordance 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 tangible capital assets and accrued liabilities.</p>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

2. Cash and Cash Equivalents

	2020	2019
Cash	\$ 2,989,541	\$ 712,656
Term deposits	1,572,162	2,932,995
	\$ 4,561,703	\$ 3,645,651

The Association has an operating line of credit in the amount of \$150,000. The line bears interest at prime plus 2% and is payable on demand. At March 31, 2020, no amounts had been drawn against the line of credit.

3. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 2,106,545	\$ 1,699,371	\$ 1,814,021	\$ 1,367,865
Leasehold improvements	1,121,925	718,536	966,015	614,929
	3,228,470	2,417,907	2,780,036	1,982,794
Net book value	\$ 810,563		\$ 797,242	

Investment in tangible capital assets is calculated as follows:

	2020	2019
Tangible capital assets	\$ 810,563	\$ 797,242
Amounts funded by deferred capital contributions (Note 6)	728,531	646,645
	\$ 82,032	\$ 150,597

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

4. Accounts Payable and Accrued Liabilities

	<u>2020</u>	<u>2019</u>
Trade payables and accrued charges	\$ 824,728	\$ 700,346
Salaries and benefits payable	598,280	470,981
Payable to funders	753,164	429,240
Vacation accrual	499,772	403,158
Annual general meeting	30,000	30,000
Government remittances	353,930	239,451
	<u>\$ 3,059,874</u>	<u>\$ 2,273,176</u>

5. Deferred Contributions

Deferred contributions represent unspent resources externally restricted for specific purposes. Changes in the deferred contributions balance are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 614,920	\$ 68,286
Less: amounts recognized as revenue in the year	(614,920)	(68,286)
Add: amounts received related to expenses of a subsequent period	<u>705,444</u>	<u>614,920</u>
Ending balance	<u>\$ 705,444</u>	<u>\$ 614,920</u>

**Canadian Mental Health Association - York and South Simcoe
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March 31, 2020

6. Deferred Capital Contributions

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

The changes in the deferred contributions balance for the year are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 646,645	\$ 760,718
Add: grants received	448,434	158,363
Less: amounts amortized to revenue	<u>(366,548)</u>	<u>(272,436)</u>
Ending balance	728,531	646,645
Less: current portion	<u>(279,019)</u>	<u>(289,556)</u>
Non-current portion	<u>\$ 449,512</u>	<u>\$ 357,089</u>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

7. Contract with Local Integrated Health Network

The Association has a Service Contract with the Local Integrated Health Network ("LHIN Contract"). The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the LHIN Contract.

	2020	2019
Total funding received	\$15,099,840	\$ 14,407,008
Payable to LHIN, included in payable to funders (Note 4)	(30,304)	(10,133)
	15,069,536	14,396,875
Additions to deferred capital contributions	(37,189)	(35,157)
Amortization of deferred capital contributions	52,891	66,814
	15,085,238	14,428,532
LHIN revenue	15,085,238	14,428,532
Salaries and benefits	13,057,545	12,435,916
Communications and public relations	10,879	36,290
Administration, human resources and information systems	63,699	83,491
Occupancy	793,827	802,726
Supplies and general	1,080,231	972,024
Equipment	26,166	31,271
Amortization	52,891	66,814
	15,085,238	14,428,532
Surplus	\$ -	\$ -

**Canadian Mental Health Association - York and South Simcoe
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March 31, 2020

8. Contract with CMHA - Ontario

The Association has a Service Contract with the Canadian Mental Health Association - Ontario branch ("CMHA - Ontario Contract") to provide program support for the Bounce Back Program. The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the CMHA - Ontario Contract.

A summary of the CMHA - Ontario Contract is as follows:

	<u>2020</u>	<u>2019</u>
Total funding received	\$ 8,244,872	\$ 5,374,872
Current year accounts receivable	125,000	-
Payable to CMHA - Ontario, included in payable to funders (Note 4)	<u>(551,958)</u>	<u>(322,196)</u>
	7,817,914	5,052,676
Additions to deferred capital contributions	<u>(115,030)</u>	<u>(41,387)</u>
Amortization of deferred capital contributions	<u>214,858</u>	<u>179,933</u>
CMHA - Ontario Bounce Back revenue	7,917,742	5,191,222
Salaries and benefits	6,480,399	3,975,916
Communication and public relations	178,929	25,410
Administration, human resources and information systems	166,300	110,846
Occupancy	299,107	310,180
Supplies and general	535,369	568,173
Equipment	42,780	20,764
Amortization	<u>214,858</u>	<u>179,933</u>
	<u>7,917,742</u>	<u>5,191,222</u>
Surplus	<u>\$ -</u>	<u>\$ -</u>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

9. Contracts with Regional Municipality of York

The Association has a Service Contract with the Regional Municipality of York ("York Region Contract"). The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the York Region Contract.

	<u>2020</u>	<u>2019</u>
Total funding received	\$1,178,781	\$ 1,918,818
Current year accounts receivable	29,430	-
Deferred contributions of prior year recognized	588,006	-
Deferred contributions	<u>(19,342)</u>	<u>(588,006)</u>
	1,776,875	1,330,812
Additions to deferred capital contributions	-	(65,199)
Amortization of deferred capital contributions	<u>21,733</u>	<u>21,733</u>
York Region revenue	1,798,608	1,287,346
Salaries and benefits	1,190,980	765,239
Communication and public relations	1,343	10,480
Administration, human resources and information systems	60,150	145,799
Other - rent supplement	347,507	111,896
Supplies and general	145,307	150,752
Equipment	31,588	81,447
Amortization	<u>21,733</u>	<u>21,733</u>
	<u>1,798,608</u>	<u>1,287,346</u>
Surplus	<u>\$ -</u>	<u>\$ -</u>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

10. Transfer Payments - CMHA Toronto and Barrie

The Association has a Service Contract with CMHA - Toronto and CMHA - Barrie ("Transfer Payments Contract"). The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Transfer Payments Contract. These transfers relate to amounts received from the LHIN.

A summary of the Transfer Payments Contract is as follows:

	<u>2020</u>	<u>2019</u>
Revenue	\$1,009,438	\$ 1,038,010
Deferred contributions of prior year recognized	4,715	-
Deferred contributions	(2,313)	(4,715)
	<u>1,011,840</u>	<u>1,033,295</u>
Additions to deferred capital contributions	(10,000)	-
Amortization of deferred capital contributions	3,333	-
	<u>1,005,173</u>	<u>1,033,295</u>
Revenue from transfer payments	1,005,173	1,033,295
Salaries and benefits	859,344	854,859
Supplies and general	84,612	106,305
Other	22,894	25,915
Administration, human resources and information systems	22,300	23,251
Occupancy	12,000	13,094
Equipment	403	5,063
Communication and public relations	287	4,808
Amortization	3,333	-
	<u>1,005,173</u>	<u>1,033,295</u>
Surplus	<u>\$ -</u>	<u>\$ -</u>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

11. Ministry of Health and Long Term Care

The Association has a Service Contract with the Ministry of Health and Long Term Care ("MOHLTC Contract"). The reconciliation summarizes all revenues and expenditures and identifies any resulting surplus or deficit that relates to the MOHLTC Contract.

	Homes for Opportunity	Rent Supplement	2020	2019
Funding received - Homes for Opportunity (CHO)	\$ 1,223,600	\$ -	\$ 1,223,600	\$ -
Funding received - Rent Supplement	-	518,515	518,515	431,500
Payable to MOHLTC, included in payable to funders (Note 4)	-	(63,858)	(63,858)	-
Deferred contributions	(470,950)	-	(470,950)	-
	<u>752,650</u>	<u>454,657</u>	<u>1,207,307</u>	<u>431,500</u>
Amortization of deferred capital contributions	69,777	-	69,777	-
Additions to deferred capital contributions	(286,215)	-	(286,215)	-
	<u>536,212</u>	<u>454,657</u>	<u>990,869</u>	<u>431,500</u>
MOHLTC revenue	536,212	454,657	990,869	431,500
Other - rent supplement	-	454,657	454,657	431,500
Supplies and general	434,795	-	434,795	-
Amortization	69,777	-	69,777	-
Administration, human resources and information systems	31,640	-	31,640	-
	<u>536,212</u>	<u>454,657</u>	<u>990,869</u>	<u>431,500</u>
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

12. Fundraising

	2020	2019
Fundraising revenue	\$ 378,438	\$ 424,932
Fundraising expenses	109,471	201,787
	<u>\$ 268,967</u>	<u>\$ 223,145</u>

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

13. Contracts with Ministry of Children, Community and Social Services

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

A summary of the CFSA Contract is as follows:

	Youth Mental Health Court Worker	Other Counselling Services	2020	2019
Total CFSA Contract revenue	\$ 85,068	\$ 25,000	\$ 110,068	\$ 94,068
Salaries	59,069	15,833	74,902	63,684
Benefits	13,000	3,667	16,667	14,931
Travel	2,562	1,602	4,164	3,046
Building accommodation	3,000	500	3,500	3,000
Office and miscellaneous	7,437	3,398	10,835	9,407
	85,068	25,000	110,068	94,068
Surplus	\$ -	\$ -	\$ -	\$ -

**Canadian Mental Health Association - York and South Simcoe
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March 31, 2020

14. Commitments and Contingencies

The Association is committed to the following minimum annual lease payments under operating leases for its premises.

2021	\$ 797,303
2022	490,877
2023	418,772
2024	405,740
2025	406,648
Thereafter	<u>493,767</u>
	<u>\$ 3,013,107</u>

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.

15. 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 \$493,538 (2019 -\$432,725).

16. Economic Dependence

The Association derives approximately 87% (2019 - 86%) of its annual funding from the MOHLTC and LHIN.

**Canadian Mental Health Association - York and South Simcoe
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March 31, 2020

17. Guarantees

In the normal course of operations, 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 prevent 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.

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

18. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Association's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. The majority of the Association's receivables are from government sources and the Association works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The Association is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and which exceed insured deposits of up to \$100,000.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Association will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Association maintains all of its invested assets in liquid instruments.

There have not been any changes in the risk from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed rate financial instruments. Fixed-interest instruments subject the Association to a fair value risk.

The Association is exposed to changes in interest rates related to its term deposits. The Association's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return.

The Association mitigates interest rate risk on investments through risk management policies which specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

There have not been any changes in the risk from the prior year.

**Canadian Mental Health Association - York and South Simcoe
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Notes to Financial Statements**

March 31, 2020

19. Comparative Figures

Certain comparative amounts have been reclassified to conform to the presentation of the 2020 financial statements.

20. Uncertainty due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The Association's funding is primarily from government sources and as such the funding is so far being maintained during the global pandemic. Programs are being offered and run remotely in an effort to maintain services. If the impacts of COVID-19 continue there could be further impact on the Association and its major funders, participants, employers, suppliers and other third party business associates that could impact the timing and amounts realized on the Association's assets and future operations. At this time, the full potential impact of COVID-19 on the Association is not known.
