

**Canadian Mental Health Association - York Region Branch  
Financial Statements  
For the Year Ended March 31, 2019**

**Contents**

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Tel: 905-898-1221  
Fax: 905-898-0028  
Toll-Free: 866-275-8836  
www.bdo.ca

BDO Canada LLP  
The Gates of York Plaza  
17310 Yonge Street, Unit 11  
Newmarket ON L3Y 7R9 Canada

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## Independent Auditor's Report

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To the Directors of Canadian Mental Health Association - York Region Branch

### Qualified Opinion

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, 2019, 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, 2019, 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, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1, 2018 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 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

May 16, 2019  
Newmarket, Ontario

**Canadian Mental Health Association - York Region Branch  
Statement of Financial Position**

March 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 3,645,651	\$ 2,308,787
Accounts receivable	280,237	303,587
Prepaid expenses	181,495	112,726
	<u>4,107,383</u>	<u>2,725,100</u>
<b>Tangible capital assets (Note 4)</b>	<u>797,242</u>	<u>969,709</u>
	<u>\$ 4,904,625</u>	<u>\$ 3,694,809</u>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 2,273,176	\$ 1,816,862
Deferred contributions (Note 6)	614,920	68,286
Deferred capital contributions (Note 7)	646,645	760,718
	<u>3,534,741</u>	<u>2,645,866</u>
<b>Commitments and contingencies (Note 14)</b>		
<b>Net Assets</b>	<u>1,369,884</u>	<u>1,048,943</u>
	<u>\$ 4,904,625</u>	<u>\$ 3,694,809</u>

On behalf of the Board:

 Director

 Director

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**Canadian Mental Health Association - York Region Branch  
Statement of Changes in Net Assets**

<b>For the year ended March 31</b>	<b>2019 Total</b>	<b>2018 Total</b>
Balance, beginning of the year	\$ 1,048,943	\$ 947,681
Excess of revenues over expenses	<u>320,941</u>	<u>101,262</u>
Balance, end of the year	<u>\$ 1,369,884</u>	<u>\$ 1,048,943</u>

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

## Canadian Mental Health Association - York Region Branch Statement of Revenues and Expenses

For the year ended March 31	Community support	Core programs	2019	2018
<b>Revenues</b>				
Ministry of Health and Long-Term Care (MOHLTC) and Local Integrated Health Network (LHIN)	\$ 14,793,218	\$ -	\$ 14,793,218	\$ 14,629,881
CMHA - Ontario Bounce Back (Note 11)	-	5,011,289	5,011,289	2,248,290
Fundraising (Note 9)	-	424,932	424,932	391,502
Amortization of deferred capital contributions (Note 7)	66,814	205,622	272,436	296,013
Federal Government (Note 13)	-	243,812	243,812	234,366
United Way - York Region	-	192,956	192,956	192,956
Other income	-	169,278	169,278	133,187
Ministry of Children and Youth Services (Note 10)	-	94,068	94,068	110,794
Regional Municipality of York (Note 12)	-	1,265,613	1,265,613	78,975
United Way - Greater Simcoe County	-	37,500	37,500	60,000
Interest	-	30,613	30,613	4,100
CMHA - Toronto (Note 13)	-	638,235	638,235	638,235
CMHA - Barrie (Note 13)	-	151,248	151,248	147,776
	<b>14,860,032</b>	<b>8,465,166</b>	<b>23,325,198</b>	<b>19,166,075</b>
<b>Expenses</b>				
Salaries and benefits	12,373,815	5,899,804	18,273,619	15,087,914
Program	1,008,314	954,901	1,963,215	1,865,568
Occupancy	802,726	335,343	1,138,069	931,281
Administration, human resources and information systems	83,491	400,204	483,695	329,591
Amortization	66,814	274,187	341,001	361,188
Others	431,500	137,812	569,312	343,303
Equipment	31,271	141,974	173,245	83,867
Sessional fees	62,101	-	62,101	62,101
	<b>14,860,032</b>	<b>8,144,225</b>	<b>23,004,257</b>	<b>19,064,813</b>
<b>Excess of revenues over expenses</b>	<b>\$ -</b>	<b>\$ 320,941</b>	<b>\$ 320,941</b>	<b>\$ 101,262</b>

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

## Canadian Mental Health Association - York Region Branch Statement of Cash Flows

For the year ended March 31	2019	2018
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 320,941	\$ 101,262
Items not affecting cash:		
Amortization of tangible capital assets	341,001	361,188
Amortization of deferred capital contributions	(272,436)	(296,013)
	<u>389,506</u>	<u>166,437</u>
Changes in non-cash working capital:		
Accounts receivable	23,350	(109,257)
Prepaid expenses	(68,769)	(1,204)
Accounts payable and accrued liabilities	456,314	1,051,351
Deferred contributions	546,634	8,549
	<u>1,347,035</u>	<u>1,115,876</u>
<b>Cash flows used in investing activities</b>		
Purchase of tangible capital assets	(168,534)	(937,183)
<b>Cash flows from financing activities</b>		
Deferred capital contributions received	158,363	919,064
<b>Net increase in cash and cash equivalents</b>	<b>1,336,864</b>	<b>1,097,757</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>2,308,787</b>	<b>1,211,030</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 3,645,651</b>	<b>\$ 2,308,787</b>

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

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# Canadian Mental Health Association - York Region Branch

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies

**Nature and Purpose of Organization** The Canadian Mental Health Association - York Region Branch ("CMHA" or the "Association") is committed to be 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, term deposits 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 which are recorded at fair value and accounts receivable and accounts payable and accrued liabilities which are recorded at amortized cost.



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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 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.

**Revenue Recognition** The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Fundraising revenues and unrestricted contributions are recorded as revenue when received. Fundraising revenues received for events occurring in the subsequent years are deferred until the event occurs.

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.

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies (continued)

<b>Contributed Services</b>	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.
<b>Guarantees</b>	<p>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.</p> <p>The Association has disclosed its guarantees in Note 18.</p>
<b>Administrative Expenditures</b>	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.
<b>Use of Estimates</b>	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.

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 2. Programs

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

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### 3. Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
Cash	\$ 712,656	\$ 1,006,359
Term deposits	<u>2,932,995</u>	<u>1,302,428</u>
	<u>\$ 3,645,651</u>	<u>\$ 2,308,787</u>

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, 2019, no amounts had been drawn against the line of credit.

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**Canadian Mental Health Association - York Region Branch  
Notes to Financial Statements**

March 31, 2019

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**4. Tangible Capital Assets**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 1,814,021	\$ 1,367,865	\$ 1,666,045	\$ 1,112,652
Leasehold improvements	966,015	614,929	945,456	529,140
	<b>2,780,036</b>	<b>1,982,794</b>	<b>2,611,501</b>	<b>1,641,792</b>
Net book value		<b>\$ 797,242</b>		<b>\$ 969,709</b>

Investment in tangible capital assets is calculated as follows:

	2019	2018
Tangible capital assets	\$ 797,242	\$ 969,709
Amounts funded by deferred capital contributions (Note 7)	646,645	760,718
	<b>\$ 150,597</b>	<b>\$ 208,991</b>

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**5. Accounts Payable and Accrued Liabilities**

	2019	2018
Trade payables and accrued charges	\$ 1,022,542	\$ 573,668
Salaries and benefits payable	470,981	373,884
Payable to funders	107,044	261,883
Vacation accrual	403,158	270,553
Annual general meeting	30,000	20,000
Government remittances	239,451	316,874
	<b>\$ 2,273,176</b>	<b>\$ 1,816,862</b>

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 6. Deferred Contributions

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

	2019	2018
Beginning balance	\$ 68,286	\$ 59,737
Less: amounts recognized as revenue in the year	(68,286)	(28,265)
Add: amounts received related to expenses of a subsequent period	614,920	36,814
Ending balance	\$ 614,920	\$ 68,286

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### 7. 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:

	2019	2018
Beginning balance	\$ 760,718	\$ 137,667
Add: grants received	158,363	919,064
Less: amounts amortized to revenue	(272,436)	(296,013)
Ending balance	\$ 646,645	\$ 760,718

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### 8. Accumulated Excess of Revenues Over Expenses

For the year ended March 31, 2019, current year funding of \$107,044 (2018 - \$261,883), is excess surplus owing back to funders and is recorded in the statement of financial position within accounts payable and accrued liabilities.

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**Canadian Mental Health Association - York Region Branch  
Notes to Financial Statements**

**March 31, 2019**

**9. Fundraising**

	2019	2018
Fundraising revenue	\$ 424,932	\$ 391,502
Fundraising expenses	201,787	232,746
	\$ 223,145	\$ 158,756

**10. 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	2019	2018
Total CFSA Contract revenue	\$ 85,068	\$ 9,000	\$ 94,068	\$ 110,794
Salaries	59,713	3,971	63,684	74,522
Benefits	12,931	2,000	14,931	15,870
Travel	1,517	1,529	3,046	5,211
Building accommodation	3,000	-	3,000	3,220
Office and miscellaneous	7,907	1,500	9,407	11,971
	85,068	9,000	94,068	110,794
Surplus	\$ -	\$ -	\$ -	\$ -

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 11. 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:

	2019	2018
Total funding received	\$ 5,052,676	\$ 3,307,217
Additions to deferred capital contributions	(41,387)	(840,000)
Amortization of deferred capital contributions	179,933	168,253
CMHA - Ontario revenue prior to surplus reduction	5,191,222	2,635,470
Payable to CMHA - Ontario, included in payable to funders (Note 5)	-	(218,927)
CMHA - Ontario Bounce Back revenue	5,191,222	2,416,543
Salaries and benefits	3,975,916	1,572,748
Communication and public relations	25,410	11,094
Admin, HR and IS	110,846	178,095
Occupancy	310,180	129,538
Supplies and general	568,173	348,051
Equipment	20,764	8,764
Amortization	179,933	168,253
	5,191,222	2,416,543
Surplus	\$ -	\$ -

Additions to deferred capital contributions include funds used for expenditures on computer equipment, computer software, major equipment and leasehold improvements.

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 12. 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. A summary of the York Region Contract is as follows:

	2019	2018
Total funding received	\$1,918,818	\$ 78,975
Additions to deferred capital contributions	(65,199)	-
Amortization of deferred capital contributions	21,733	-
	1,875,352	78,975
Payable to Regional Municipality of York, included in payable to funders	(556,289)	-
Deferred contributions to next year	(31,717)	-
York Region revenue	1,287,346	78,975
Salaries and benefits	765,239	10,430
Communication and public relations	10,480	-
Administration, human resources and information systems	145,799	-
Other - rent supplement	111,896	-
Supplies and general	150,752	68,095
Equipment	81,447	-
Amortization	21,733	-
Occupancies	-	450
	1,287,346	78,975
Surplus	\$ -	\$ -

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 13. 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:

	2019	2018
Revenue	<b>\$1,033,295</b>	<b>\$ 1,020,378</b>
Salaries and benefits	854,859	845,559
Supplies and general	106,305	104,263
Other	25,915	22,887
Administration, human resources and information systems	23,251	25,547
Occupancies	13,094	15,193
Equipment	5,063	845
Communication and public relations	4,808	6,084
	<b>1,033,295</b>	<b>1,020,378</b>
Surplus	<b>\$ -</b>	<b>\$ -</b>

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### 14. Commitments and Contingencies

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

2020	\$	571,801
2021		495,643
2022		339,215
2023		270,235
Thereafter		937,692
		<b>\$ 2,614,586</b>

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.

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 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 \$432,725 (2018-\$379,088).

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### 16. Economic Dependence

The Association derives approximately 86% (2018 - 94%) of its annual funding from the MOHLTC and LHIN.

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### 17. Comparative Figures

Certain comparative amounts have been reclassified to conform to the presentation of the 2019 financial statements.

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### 18. 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 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.

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## Canadian Mental Health Association - York Region Branch Notes to Financial Statements

March 31, 2019

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### 19. 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.

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**Canadian Mental Health Association - York Region Branch  
Notes to Financial Statements**

**March 31, 2019**

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