

**Canadian Mental Health Association - York Region Branch  
Financial Statements  
For the Year Ended March 31, 2018**

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## Independent Auditor's Report

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

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, 2018, and the statements of changes in net assets, revenues and expenses 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 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 fundraising 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 other income and fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1, 2017 and March 31 for both years. Our audit opinion on the financial statements for the year ended March 31, 2018 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 Canadian Mental Health Association - York Region Branch as at March 31, 2018, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

May 15, 2018  
Newmarket, Ontario

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

March 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 2,308,787	\$ 1,211,030
Accounts receivable	303,587	194,330
Prepaid expenses	112,726	111,522
	<u>2,725,100</u>	<u>1,516,882</u>
Tangible capital assets (Note 4)	<u>969,709</u>	<u>393,714</u>
	<u>\$ 3,694,809</u>	<u>\$ 1,910,596</u>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 1,816,862	\$ 765,511
Deferred contributions (Note 6)	68,286	59,737
Deferred capital contributions (Note 7)	760,718	137,667
	<u>2,645,866</u>	<u>962,915</u>
Commitments and contingencies (Note 12)		
<b>Net Assets</b>	<u>1,048,943</u>	<u>947,681</u>
	<u>\$ 3,694,809</u>	<u>\$ 1,910,596</u>

On behalf of the Board:

Monica Gaudry Director

Evelyn Sutherland Director

President

Treasurer

*Monica Gaudry*

*Evelyn Sutherland*

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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>2018 Total</b>	<b>2017 Total</b>
Balance, beginning of the year	\$ 947,681	\$ 1,179,264
Excess (deficiency) of revenues over expenses	101,262	(193,508)
Recovery settlements	-	(38,075)
<b>Balance, end of the year</b>	<b>\$ 1,048,943</b>	<b>\$ 947,681</b>

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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	2018	2017
<b>Revenue</b>				
Ministry of Health and Long-Term Care (MOHLTC) and Local Integrated Health Network (LHIN)	\$ 15,415,892	\$ -	\$ 15,415,892	\$ 14,699,880
CMHA - Ontario Bounce Back (Note 11)	-	2,248,290	2,248,290	-
Fundraising (Note 9)	-	391,502	391,502	276,615
Amortization of deferred capital contributions (Note 7)	127,760	168,253	296,013	205,178
Federal Government	-	234,366	234,366	224,566
United Way - York Region	-	192,956	192,956	192,956
Other income	-	133,187	133,187	154,247
Ministry of Children and Youth Services (Note 10)	-	110,794	110,794	110,068
Regional Municipality of York	-	78,975	78,975	11,120
United Way - Greater Simcoe County	-	60,000	60,000	54,000
Interest	-	4,100	4,100	5,433
	<b>15,543,652</b>	<b>3,622,423</b>	<b>19,166,075</b>	<b>15,934,063</b>
<b>Expenses</b>				
Salaries and benefits	12,855,455	2,232,459	15,087,914	13,115,143
Program	1,132,243	570,735	1,702,978	1,235,972
Occupancy	755,688	149,070	904,758	782,477
Administration, human resources and information systems	261,634	257,070	518,704	301,501
Amortization	127,760	233,428	361,188	268,848
Others	321,100	22,203	343,303	316,056
Equipment	27,671	56,196	83,867	45,473
Sessional fees	62,101	-	62,101	62,101
	<b>15,543,652</b>	<b>3,521,161</b>	<b>19,064,813</b>	<b>16,127,571</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ -</b>	<b>\$ 101,262</b>	<b>\$ 101,262</b>	<b>\$ (193,508)</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	2018	2017
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 101,262	\$ (193,508)
Items not affecting cash:		
Amortization of tangible capital assets	361,188	268,848
Amortization of deferred capital contributions	(296,013)	(205,178)
	<u>166,437</u>	<u>(129,838)</u>
Changes in non-cash working capital:		
Accounts receivable	(109,257)	54,009
Prepaid expenses	(1,204)	(24,538)
Accounts payable and accrued liabilities	1,051,351	(541,794)
Deferred contributions	8,549	(10,661)
	<u>1,115,876</u>	<u>(652,822)</u>
<b>Cash flows used in investing activities</b>		
Purchase of tangible capital assets	(937,183)	(55,495)
<b>Cash flows from (used in) financing activities</b>		
Deferred capital contributions received	919,064	55,495
Recovery settlement MOHLTC/LHIN	-	(38,075)
	<u>919,064</u>	<u>17,420</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,097,757</b>	<b>(690,897)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>1,211,030</b>	<b>1,901,927</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 2,308,787</b>	<b>\$ 1,211,030</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, 2018

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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 assets consist of cash and cash equivalents which are recorded at fair value and accounts receivable which are recorded at amortized cost.



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# Canadian Mental Health Association - York Region Branch

## Notes to Financial Statements

March 31, 2018

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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:

	<b>Method</b>	<b>Rate</b>
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.

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, 2018

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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 15.</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, 2018

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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 ("LHIN") 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>2018</u>	<u>2017</u>
Cash	\$ 1,006,359	\$ 309,902
Term deposits	<u>1,302,428</u>	<u>901,128</u>
	<u>\$ 2,308,787</u>	<u>\$ 1,211,030</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, 2018, 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, 2018**

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**4. Tangible Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 1,666,045	\$ 1,112,652	\$ 1,018,772	\$ 835,474
Leasehold improvements	945,456	529,140	655,546	445,130
	<b>2,611,501</b>	<b>1,641,792</b>	<b>1,674,318</b>	<b>1,280,604</b>
<b>Net book value</b>		<b>\$ 969,709</b>		<b>\$ 393,714</b>

Investment in tangible capital assets is calculated as follows:

	2018	2017
Tangible capital assets	\$ 969,709	\$ 393,714
Amounts funded by deferred capital contributions (Note 7)	760,718	137,667
	<b>\$ 208,991</b>	<b>\$ 256,047</b>

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**5. Accounts Payable and Accrued Liabilities**

	2018	2017
Trade payables and accrued charges	\$ 573,668	\$ 386,485
Salaries and benefits payable	373,884	241,287
Payable to funders	261,883	29,524
Vacation accrual	270,553	-
Annual general meeting	20,000	16,000
Government remittances	316,874	92,215
	<b>\$ 1,816,862</b>	<b>\$ 765,511</b>

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

March 31, 2018

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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:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 59,737	\$ 70,398
Less: amounts recognized as revenue in the year	(28,265)	(19,405)
Add: amounts received related to expenses of a subsequent period	<u>36,814</u>	<u>8,744</u>
Ending balance	<u>\$ 68,286</u>	<u>\$ 59,737</u>

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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:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 137,667	\$ 287,350
Add: Grants received	919,064	55,495
Less: amounts amortized to revenue	<u>(296,013)</u>	<u>(205,178)</u>
Ending balance	<u>\$ 760,718</u>	<u>\$ 137,667</u>

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### 8. Accumulated Excess of Revenues Over Expenses

For the year ended March 31, 2018, current year funding of \$261,883 (2017 - \$29,524), 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, 2018

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### 9. Fundraising

	2018	2017
Fundraising revenue	\$ 391,502	\$ 276,615
Fundraising expenses	228,249	247,694
	\$ 163,253	\$ 28,921

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### 10. Contracts with Ministry of Children and Youth Services

The Association has a Service Contract/CFSA (Child and Family Services Act) Approval ("CFSA 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 CFSA Contract.

A summary of the CFSA Contract is as follows:

	Youth Mental Health Court (program code A854)	Other Counselling Services (program code A839)	2018	2017
Total CFSA Contract revenue	\$ 85,794	\$ 25,000	\$ 110,794	\$ 110,068
Salaries	55,964	14,876	70,840	76,142
Benefits	15,446	4,106	19,552	13,742
Travel	2,918	2,293	5,211	5,178
Building accommodation	3,220	-	3,220	3,220
Office and miscellaneous	8,246	3,725	11,971	11,786
	85,794	25,000	110,794	110,068
Surplus	\$ -	\$ -	\$ -	\$ -

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

**March 31, 2018**

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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:

	2018	2017
Total funding received	\$ 3,307,217	\$ -
Additions to deferred capital contributions	(840,000)	-
Amortization of deferred capital contributions	168,253	-
	2,635,470	-
CMHA - Ontario revenue prior to surplus reduction	2,635,470	-
Payable to CMHA - Ontario, included in payable to funders (Note 5)	218,927	-
	2,416,543	-
CMHA - Ontario Bouce Back revenue	2,416,543	-
Salaries and benefits	1,572,748	-
Communication and public relations	11,094	-
Admin, HR and IS	178,095	-
Occupancy	129,538	-
Supplies and general	348,051	-
Equipment	8,764	-
Amortization	168,253	-
	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, 2018

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### 12. Commitments and Contingencies

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

2019	\$	622,936
2020		571,801
2021		495,643
2022		339,215
2023		270,235
		<hr/>
	\$	<u>2,299,830</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.

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### 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 \$379,088 (2017- \$343,013).

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### 14. Economic Dependence

The Association derives approximately 94% (2017 - 94%) of its annual funding from the MOHLTC and LHIN.

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

March 31, 2018

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### 15. 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, 2018

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### 16. 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, 2018**

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**17. Comparative Figures**

Certain comparative amounts have been reclassified to conform to the presentation of the 2018 financial statements.

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