Grant Thornton

Financial Statements

The Canadian Mental Health Association

Toronto Branch

March 31, 2017

Contents

Independent Auditor's Report

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To the Members of
The Canadian Mental Health Association Toronto Branch

We have audited the accompanying financial statements of The Canadian Mental Health Association Toronto Branch, which comprise the balance sheet as at March 31, 2017, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Mental Health Association Toronto Branch as at March 31, 2017, 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.

Other matter

The prior year financial statements were audited by another firm of Chartered Professional Accountants, with an unqualified audit opinion issued, dated June 6, 2016.

Grant Thornton LLP

Toronto, Canada
June 2, 2017

Chartered Professional Accountants
Licensed Public Accountants

The Canadian Mental Health Association
Statement of Revenue and Expenses

Year ended March 31,	**2017**	2016
Revenue		
Central LHIN	**$ 17,743,002**	$ 17,521,736
Toronto Central LHIN	**983,234**	977,742
Central East LHIN	**557,090**	-
Rent supplement (Note 9)	**3,088,361**	3,038,739
Other government grants	**3,724,998**	2,511,986
Rental income (Note 9)	**2,893,044**	2,903,767
Fees for services rendered	**1,670,956**	1,687,163
United Way of Greater Toronto	**647,781**	673,123
Donations	**150,068**	387,151
Investment income	**3,320**	6,876
	31,461,854	29,708,283
Expenses		
Salaries and benefits	**17,386,746**	15,847,560
Housing accommodation (Note 9)	**6,299,704**	6,019,564
Purchased services	**4,691,188**	4,286,453
Building occupancy	**1,297,870**	1,498,513
Program supplies and meetings	**996,704**	768,011
Travel	**469,790**	477,972
Office	**462,647**	352,189
Equipment purchases	**139,370**	84,955
Recruitment and education	**133,418**	168,000
Amortization of capital assets	**68,966**	64,069
Promotion and publicity	**2,806**	15,697
	31,949,209	29,582,983
(Deficiency) excess of revenue over expenses before the undernoted	**(487,355)**	125,300
Unrealized gain (loss) on investments	**405,928**	(23,086)
(Deficiency) excess of revenue over expenses	**$ (81,427)**	$ 102,214

See accompanying notes to the financial statements.

The Canadian Mental Health Association
Statement of Changes in Net Assets
Year ended March 31

	Operating Fund	Richmond Sheppard Fund	Invested in capital assets (Note 4(b))	Total 2017	Total 2016
Net assets, beginning of year	**$ -**	**$ 3,543,940**	**$ 431,723**	**$ 3,975,663**	$ 3,873,449
(Deficiency) excess, of revenue over expenses	**(487,355)**	**405,928**	**-**	**(81,427)**	102,214
Change in fund balances invested in capital assets	**(362,006)**	**-**	**362,006**	**-**	-
Transfer from Richmond/ Sheppard Fund to operating fund (Note 8)	**849,361**	**(849,361)**	**-**	**-**	-
Net assets, end of year	**$ -**	**$ 3,100,507**	**$ 793,729**	**$ 3,894,236**	$ 3,975,663

See accompanying notes to the financial statements.

The Canadian Mental Health Association
Balance Sheet

As at March 31	2017	2016
Assets		
Current assets		
Cash	$ **761,858**	$ 1,166,468
Accounts receivable	**646,408**	983,165
Prepaid expenses	**710,128**	615,327
	2,118,394	2,764,960
Investments (Note 3)	**4,490,913**	4,322,777
Capital assets (Note 4(a))	**596,530**	300,287
	$ **7,205,837**	$ 7,388,024
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ **1,545,282**	$ 2,089,819
Due to Ontario Ministry of Health and Long-Term Care/ Central LHIN	**648,577**	260,443
	2,193,859	2,350,262
Deferred contributions (Note 5)	**926,485**	787,943
Deferred capital contributions (Note 6)	**15,808**	68,707
Employee future benefits (Note 7)	**65,625**	82,762
Deferred lease inducements	**109,824**	122,687
	3,311,601	3,412,361
Net assets		
Invested in capital assets (Note 4(b))	**793,729**	431,723
Richmond/Sheppard Fund (Note 8)	**3,100,507**	3,543,940
	3,894,236	3,975,663
	$ **7,205,837**	$ 7,388,024

Lease commitments and guarantees (Notes 11 and 12)

On behalf of the Board

Catherine Anastakis Director

Director

The Canadian Mental Health Association
Statement of Cash Flows

Year ended March 31,	2017	2016
Increase (decrease) in cash		
Operating activities		
Deficiency (excess) of revenue over expenses	**$ (81,427)**	$ 102,214
Add (deduct) items not affecting cash		
Amortization of capital assets	**68,966**	64,069
Amortization of deferred capital contributions	**(21,699)**	(199,503)
Amortization of deferred lease inducements	**(12,863)**	(35,407)
Reinvestment of investment income, net of management fees	**37,793**	36,649
Unrealized gain (loss) on investments	**(405,928)**	23,086
	(415,158)	(8,892)
Change in non-cash working capital balances related to operations		
Accounts receivable	**336,757**	(301,904)
Prepaid expenses	**(94,801)**	(6,670)
Accounts payable and accrued liabilities	**(614,962)**	653,688
Due to Ontario Ministry of Health and Long-Term Care/ Central LHIN	**388,134**	(87,886)
Deferred contributions	**138,542**	(185,733)
Employee future benefits	**53,288**	(119,529)
Deferred lease inducements	**-**	122,925
	(208,200)	65,999
Investing activities		
Purchase of capital assets	**(365,210)**	(252,130)
Sale of investments	**200,000**	-
	(165,210)	(252,130)
Financing activities		
Deferred capital contributions	**(31,200)**	31,201
Net decrease in cash	**(404,610)**	(154,930)
Cash, beginning of year	**1,166,468**	1,321,398
Cash, end of year	**$ 761,858**	$ 1,166,468

See accompanying notes to the financial statements.

1. Purpose of organization

The Canadian Mental Health Association Toronto Branch (the "Association") is principally involved in providing mental health services to the Toronto area. The Association is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

As provided under the Local Health System Integration Act, 2006, effective April 1, 2007, the Ministry of Health and Long Term-Care ("MOHLTC") assigned to the Central Local Health Integration Network ("Central LHIN"), all its rights, duties and obligations under its 2007-2008 Transfer Payment Agreement with the Association. This agreement is aligned with the Ministry's transformation agenda and will enable the Central LHIN to take on full responsibility for planning, funding and integrating health services which includes the services provided by the Association in Toronto.

The Association entered into an asset transfer agreement (the "Transfer Agreement") with Family Outreach and Response Program ("FOR") on March 31, 2016. The Association took over the operations, net assets and certain liabilities of FOR and has established a dedicated program to continue operating the Family Outreach and Response initiatives.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Capital assets

Purchased capital assets are recorded at cost. Capital assets under $5,000 are expensed and reported as equipment purchases in the Statement of revenue and expenses. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	Term of lease

Revenue recognition

The Association follows the deferral method of accounting for contributions which include donations and government grants. Contributions externally restricted are recognized as revenue in the year in which the related expenses are incurred. The Association actively fundraises and unrestricted contributions are recorded as revenue when received. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related assets.

2. Summary of significant accounting policies

Financial instruments

The Association's financial instruments consist of cash, accounts receivable, investments, and accounts payable. The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses.

Investments

Investments in pooled funds are recorded at the year-end net asset value of the funds which represent fair value.

Transaction costs are expensed as they are incurred

Employee future benefits

The Association accrues its obligations to its employees for employee future benefits based on management's best estimate of the payments to be made. On an annual basis management reassesses the Association's liability for the payment of the employee future benefits and adjusts the liability accordingly.

Deferred lease inducements

Deferred lease inducements represent leasehold improvements on account of capital expenditures financed by the landlord and periods with free or reduced rental payments. These lease inducements are amortized on a straight-line basis over the term of the lease and are recorded as a reduction in rental expense.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. The actual results may differ from those estimates. The significant financial statement item requiring the use of management estimates is the useful life of capital assets, certain accrued liabilities and employee future benefits. Actual results could differ from these estimates.

3. Investments

The Association's investments are held in three funds with AGF Investments Inc. Two of the funds are equity funds and have a combined fair value of $2,112,342 (2016 - $1,796,468). The third fund is the Pooled Fixed Income fund which has a fair value of $2,378,571 (2016 - $2,526,309).

4. Capital assets

(a) Capital assets consist of the following:

			2017	2016
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and equipment	$ -	$ -	**$ -**	$ 33,089
Computer equipment	58,642	37,594	**21,048**	10,904
Leasehold improvements	623,900	48,418	**575,482**	256,294
	$ 682,542	$ 86,012	**$ 596,530**	$ 300,287

(b) Investment in capital assets is calculated as follows:

	2017	2016
	Net Book Value	Net Book Value
Balance, beginning of the year	**$ 431,723**	$ 39,952
Amortization of capital assets	**(68,966)**	(64,069)
Amortization of deferred capital contributions	**21,699**	199,503
Amortization of deferred lease inducements	**12,863**	35,407
Purchase of capital assets	**365,210**	252,130
Capital assets financed through deferred contributions	**31,200**	(31,200)
Balance, end of year	**$ 793,729**	$ 431,723

5. Deferred contributions

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

	2017	2016s
Balance, beginning of year	**$ 787,943**	$ 973,676
Grants, donations and investment income	**391,739**	172,472
Recognized as revenue	**(253,197)**	(358,205)
Balance, end of year	**$ 926,485**	$ 787,943

The deferred contributions are to be spent as follows:

	2017	2016
Mental health programs	**$ 499,545**	$ 361,003
Rent charges	**426,940**	426,940
	$ 926,485	$ 787,943

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expenses.

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

	2017	2016
Balance, beginning of year	**$ 68,707**	$ 237,009
Contributions (reimbursed) received for capital assets	**(31,200)**	31,200
Recognized as revenue	**(21,699)**	(199,502)
Balance, end of year	**$ 15,808**	$ 68,707

7. Employee future benefits

The Association accrues its obligations to its employees for employee future benefits based on management's best estimate of the payments to be made. The benefit obligation is amortized over the expected duration of the benefit payment.

The change in accrued benefit obligation for the year is as follows:

	2017	2016
Balance, beginning of year	$ 143,083	$ 258,065
Current service costs	53,285	(59,208)
Benefit payments	(60,318)	(55,774)
Balance, end of year	$ 136,050	$ 143,083

	2017	2016
Current portion included in accounts payable and accrued liabilities	$ 70,425	$ 60,321
Long term portion	65,625	82,762
Funding status, unfunded	$ 136,050	$ 143,083

8. Richmond/Sheppard Fund

The Richmond/Sheppard Fund was established by a resolution of the Board of Directors (the "Board") in 1976 to help preserve the long-term financial viability of the Association. It is the policy of the Board to record all non-designated donations received greater than $25,000 plus investment income earned on the net assets, as revenue in the fund. At the discretion of the Board amounts may be transferred to the operating fund. The assets of the fund in the amount of $3,100,507 (2016- $3,543,940) as at March 31, 2017 are included in the investments of $4,490,913 (2016 - $4,322,777) in Note 3.

9. Rent supplement funding

The Association leases housing units at market rates and then sublets the units to clients on a rent geared to income basis. The Ontario Ministry of Health and Long-term Care subsidized the Association's leasing costs with funding from the Supportive Housing Unit and Community Services programs as part of the Mental Health Homelessness Initiative and Mental Health and Justice Program. The revenues and expenses consist of the following:

			2017	2016
	Ministry of Health Homelessness Initiative	Other Funders	**Total**	Total
Rent to landlords	$ 5,946,874	$ 352,830	**$ 6,299,704**	$ 6,019,564
Maintenance and other expenses	106,177	13,840	**120,017**	219,534
Housing accommodation expenses	6,053,051	366,670	**6,419,721**	6,239,098
Less: rental income	(2,754,221)	(138,823)	**(2,893,044)**	(2,903,767)
Less: rent supplement	(3,088,361)	(173,836)	**(3,262,197)**	(3,191,129)
Deficiency of revenue/Other expenses	$ 210,469	$ 54,011	**$ 264,480**	$ 144,202

Rent supplements received in the 2016 fiscal year includes $152,390 of amount received from other funders.

10. Pension plan

The Association has a defined contribution pension plan. The expense of this plan is equal to the Association's required contributions for the year (4.8% of eligible payroll). The pension expense for the year was $549,994 (2016 - $490,251).

11. Lease commitments

The Association's office premises and program sites are operated under nine lease agreements which expire over various periods to March 31, 2026. The Association also leases housing units which it sublets to clients through 515 annual agreements that expire over the period in fiscal 2018. Minimum annual rents under these agreements for the next five fiscal years and thereafter are as follows:

2018	$ 1,646,949
2019	457,767
2020	430,521
2021	411,723
2022	415,914
Thereafter	1,417,069
	$ 4,779,943

12. Guarantees

In the normal course of business, the Association enters into agreements that meet the definition of a guarantee.

(a) The Association has provided indemnities under lease agreements for the use of its premises. Under the terms of these agreements the Association agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payments cannot be reasonably estimated.

(b) The Association indemnifies all directors for various items including but not limited to all costs to settle suits or actions due to services provided to the Association, subject to certain restrictions. The Association has purchased liability insurance to mitigate the cost of any potential future suits or actions. The 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 with respect to these agreements.

13. Financial instruments and risk management

The investments held by the Association are exposed to a variety of financial risks. The Association seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and diversifying of the investment portfolio within the constraints of the Association's Investment Policies.

Significant risks that are relevant to the Association's investments are as follows:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Association. The short-term interest bearing instruments held by the Association have a limited exposure to interest rate risk due to their short-term maturity. The Association has formal policies and procedure that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2017, the Association's investments in pooled funds are held with AGF Investments Inc.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Association to a risk of loss. The Association mitigates this risk through controls to monitor and limit concentration levels.

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its obligations when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2017, the most significant financial liabilities are accounts payable and accrued liabilities and amounts due to the Ontario Ministry of Health and Long-Term Care/Central LHIN.