



Financial Statements

The Canadian Mental Health Association

Toronto Branch

March 31, 2019

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Independent Auditor's Report

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To the Members of
The Canadian Mental Health Association Toronto Branch

Opinion

We have audited the financial statements of The Canadian Mental Health Association Toronto Branch (the "Association"), which comprise the balance sheet as at March 31, 2019, and the statements of revenues and expenses, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019, 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.

Basis for opinion

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 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 a 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 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.



Toronto, Canada
May 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Canadian Mental Health Association Toronto Branch

Statement of Revenue and Expenses

Year ended March 31,	2019	2018
Revenue		
Local Health Integration Networks (LHIN) Funding	\$ 23,090,823	\$ 20,238,963
Other government grants	4,326,290	4,156,363
Ministry of Health and Long-Term Care		
Rent supplement (Note 9)	3,780,353	3,285,832
Rental income (Note 9)	2,982,073	2,898,626
Fees for services rendered	1,332,922	1,418,139
United Way of Greater Toronto	683,346	649,562
Donations	311,126	214,663
Investment income	<u>17,249</u>	<u>7,612</u>
	<u>36,524,182</u>	<u>32,869,760</u>
Expenses		
Salaries and benefits	21,111,341	18,056,268
Housing accommodation (Note 9)	6,507,035	6,361,501
Purchased services	4,772,792	4,881,291
Building occupancy	1,466,394	1,374,726
Program supplies and meetings	1,311,009	934,470
Travel	476,304	461,723
Office	496,041	552,695
Recruitment and education	214,492	186,003
Equipment purchases	137,347	121,485
Amortization of capital assets	116,338	110,349
Promotion and publicity	<u>19,554</u>	<u>3,674</u>
	<u>36,628,647</u>	<u>32,974,185</u>
Deficiency of revenue over expenses before the undernoted	(104,465)	(104,425)
Unrealized gain on investments	<u>329,687</u>	<u>176,464</u>
Excess (deficiency) of revenue over expenses	<u>\$ 225,222</u>	<u>\$ 72,039</u>

The Canadian Mental Health Association Toronto Branch

Statement of Changes in Net Assets

Year ended March 31,

	Operating Fund	Richmond Sheppard Fund	Invested in capital assets (Note 4(b))	Total 2019	Total 2018
Net assets, beginning of year	\$ -	\$ 3,452,863	\$ 513,412	\$ 3,966,275	\$ 3,894,236
Excess (deficiency), of revenue over expenses	(104,465)	329,687	-	225,222	72,039
Change in fund balances invested in capital assets	69,678	-	(69,678)	-	-
Transfer from Richmond/ Sheppard Fund to operating fund (Note 8)	34,787	(34,787)	-	-	-
Net assets, end of year	\$ -	\$ 3,747,763	\$ 443,734	\$ 4,191,497	\$ 3,966,275

See accompanying notes to the financial statements.

The Canadian Mental Health Association Toronto Branch

Balance Sheet

As at March 31,

2019

2018

Assets

Current assets

Cash	\$ 1,346,483	\$ 1,511,409
Accounts receivable	801,105	401,544
Prepaid expenses	701,714	906,531
	<u>2,849,302</u>	<u>2,819,484</u>

Investments (Note 3)	4,724,398	4,430,709
Capital assets (Note 4(a))	697,443	759,103
	<u>\$ 8,271,143</u>	<u>\$ 8,009,296</u>

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 2,010,260	\$ 1,722,193
Due to Ontario Ministry of Health and Long-Term Care/ Local Health Integration Networks	742,110	819,245
	<u>2,752,370</u>	<u>2,541,438</u>

Deferred contributions (Note 5)	966,768	1,127,463
Deferred capital contributions (Note 6)	253,709	245,691
Employee future benefits (Note 7)	22,134	31,469
Deferred lease inducements	84,665	96,960
	<u>4,079,646</u>	<u>4,043,021</u>

Net assets

Invested in capital assets (Note 4(b))	443,734	513,412
Richmond/Sheppard Fund (Note 8)	3,747,763	3,452,863
	<u>4,191,497</u>	<u>3,966,275</u>
	<u>\$ 8,271,143</u>	<u>\$ 8,009,296</u>

Lease commitments and guarantees (Notes 11 and 12)

On behalf of the Board



Director



Director

The Canadian Mental Health Association Toronto Branch

Statement of Cash Flows

Year ended March 31,

2019

2018

Increase (decrease) in cash

Operating activities

Excess (deficiency) of revenue over expenses	\$	225,222	\$	72,039
Add (deduct) items not affecting cash				
Amortization of capital assets		116,338		110,349
Amortization of deferred capital contributions		(46,660)		(39,808)
Amortization of deferred lease inducements		(12,295)		(12,864)
Re-investment of investment income, net of management fees		35,998		36,668
Unrealized gain on investments		(329,687)		(176,464)
		<u>(11,084)</u>		<u>(10,080)</u>

Change in non-cash working capital balances related to operations

Accounts receivable		(399,561)		244,864
Prepaid expenses		204,817		(196,403)
Accounts payable and accrued liabilities		288,067		176,911
Due to Ontario Ministry of Health and Long-Term Care/ Central LHIN		(77,135)		170,668
Deferred contributions		(160,695)		200,978
Employee future benefits		(9,335)		(34,156)
		<u>(164,926)</u>		<u>552,782</u>

Investing activities

Purchase of capital assets		(54,678)		(272,922)
Sale of investments		-		200,000
		<u>(54,678)</u>		<u>(72,922)</u>

Financing activities

Deferred capital contributions		<u>54,678</u>		<u>269,691</u>
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Net increase (decrease) in cash (164,926) 749,551

Cash, beginning of year 1,511,409 761,858

Cash, end of year \$ 1,346,483 \$ 1,511,409

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

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.

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.

Rental income and occupancy charges are recognized as revenue on a monthly basis.

Fees for services rendered are recognized when the services are provided.

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

2. Summary of significant accounting policies (continued)

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 the pooled fund are recorded at the year-end net asset value of the fund which represents 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.

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

3. Investments

The Association's investments are held in one balanced pooled fund with Mawer Investment Management Ltd. The value of the investments is \$4,724,398 (2018 - \$4,430,709).

4. Capital assets

(a) Capital assets consist of the following:

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 72,806	\$ 55,625	\$ 17,181	\$ 9,320
Computer equipment	90,594	18,492	72,102	40,835
Leasehold improvements	<u>846,742</u>	<u>238,582</u>	<u>608,160</u>	<u>708,948</u>
	<u>\$ 1,010,142</u>	<u>\$ 312,699</u>	<u>\$ 697,443</u>	<u>\$ 759,103</u>

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

	<u>2019</u>	<u>2018</u>
	<u>Net Book Value</u>	<u>Net Book Value</u>
Balance, beginning of the year	\$ 513,412	\$ 793,729
Amortization of capital assets	(116,338)	(110,349)
Amortization of deferred capital contributions	46,660	39,808
Purchase of capital assets	54,678	272,922
Capital assets financed through deferred contributions	(54,678)	(269,691)
Inter-fund transfer to operating fund	<u>-</u>	<u>(213,007)</u>
Balance, end of year	<u>\$ 443,734</u>	<u>\$ 513,412</u>

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

5. Deferred contributions

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,127,463	\$ 926,485
Grants, donations and investment income	33,982,022	31,373,884
Recognized as revenue	<u>(34,142,717)</u>	<u>(31,172,906)</u>
Balance, end of year	<u>\$ 966,768</u>	<u>\$ 1,127,463</u>

The deferred contributions are to be spent as follows:

	<u>2019</u>	<u>2018</u>
Mental health programs	\$ 446,462	\$ 700,523
Rent charges	<u>520,306</u>	<u>426,940</u>
	<u>\$ 966,768</u>	<u>\$ 1,127,463</u>

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:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 245,691	\$ 15,808
Contributions (reimbursed) received for capital assets	54,678	269,691
Recognized as revenue	<u>(46,660)</u>	<u>(39,808)</u>
Balance, end of year	<u>\$ 253,709</u>	<u>\$ 245,691</u>

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

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:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 95,066	\$ 136,050
Current service costs	49,691	29,441
Benefit payments	<u>(69,907)</u>	<u>(70,425)</u>
Balance, end of year	<u>\$ 74,850</u>	<u>\$ 95,066</u>
	<u>2019</u>	<u>2018</u>
Current portion included in accounts payable and accrued liabilities	\$ 52,716	\$ 63,597
Long term portion	<u>22,134</u>	<u>31,469</u>
Funding status, unfunded	<u>\$ 74,850</u>	<u>\$ 95,066</u>

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 \$3,747,763 (2018- \$3,452,863) as at March 31, 2019 are included in the investments of \$4,724,398 (2018 - \$4,430,709) in Note 3.

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

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:

	Ministry of Health Homelessness Initiative	Other Funders	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Rent to landlords	\$ 6,382,969	\$ 124,066	\$ 6,507,035	\$ 6,361,501
Building occupancy	-	-	-	2,280
Maintenance and other expenses	<u>267,366</u>	<u>-</u>	<u>267,366</u>	<u>138,114</u>
Housing accommodation expenses	6,650,335	124,066	6,774,401	6,594,354
Less: rent supplement	(3,780,353)	(82,169)	(3,862,522)	(3,441,970)
Less: rental income	(2,886,326)	(95,746)	(2,982,072)	(2,898,626)
Central LHIN support funding reduction	-	53,849	53,849	-
Fee for services	-	-	-	1,065
Less: investment income	(1,392)	-	(1,392)	(2,897)
Deficiency of revenue/housing accommodation expenses	<u>\$ (17,736)</u>	<u>\$ -</u>	<u>\$ (17,736)</u>	<u>\$ 159,467</u>

The Association operates a transitional housing program in partnership with the Centre for Addiction and Mental Health funded by the Central LHIN. The Centre for Addiction and Mental Health provides the units rent-free and rental income is collected as determined by the Ontario Disability Support Program for board and lodging. The rental income is used to offset program operating costs.

10. Pension plan

Starting in fiscal 2018, the Association's employees are enrolled in the Healthcare of Ontario Pension Plan (HOOPP), a multiple employer defined benefit pension plan.

Contributions to HOOPP made during the year by the Association amounted to \$1,003,318 (2018 - \$214,434) and are included in salaries and benefits in the Statement of revenue and expenses.

The organization also maintains a defined contribution pension plan for its employees. Included in the Statement of revenue and expenses are contributions to the plan by CMHA – Toronto Branch of \$176,104 (2018 – \$522,573).

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

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, 2029. During the year, the Association entered into an equipment lease which expires on November 20, 2023. The Association also leases housing units which it sublets to clients through 528 annual agreements that expire throughout fiscal 2020. Minimum annual rents under these agreements for the next five fiscal years and thereafter are as follows:

2020	\$ 1,828,375
2021	697,680
2022	704,411
2023	658,520
2024	635,392
Thereafter	<u>1,570,208</u>
	<u>\$ 6,094,586</u>

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 and officers 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.

The Canadian Mental Health Association Toronto Branch

Notes to the Financial Statements

March 31, 2019

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, 2019, the Association's investments in the pooled fund are held with Mawer Investment Management Ltd.

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, 2019, the most significant financial liabilities are accounts payable and accrued liabilities and amounts due to the Ontario Ministry of Health and Long-Term Care/LHINs.

14. Comparative figures

Certain reclassifications for the year ended March 31, 2018 have been made for the purpose of comparability.