

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION - ONTARIO
DIVISION**

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Mental Health Association - Ontario Division

We have audited the accompanying financial statements of Canadian Mental Health Association - Ontario Division, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



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Basis for Qualified Opinion

In common with many charitable organizations, Canadian Mental Health Association - Ontario Division derives part of its revenue from the general public in the form of fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Canadian Mental Health Association - Ontario Division. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2015 and March 31, 2014, any adjustments might be necessary to fundraising revenue, excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2014.

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 - Ontario Division as at March 31, 2015, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 20, 2015
Toronto, Canada

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 619,356	\$ 2,441,647
Short-term investments (note 2)	591,153	385,354
Accounts receivable (note 13)	458,018	244,817
Prepaid expenses	8,907	13,277
	<u>1,677,434</u>	<u>3,085,095</u>
Investments (note 2)	1,701,004	1,149,262
Capital assets (note 4)	98,517	75,962
	<u>\$ 3,476,955</u>	<u>\$ 4,310,319</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5 and 11)	\$ 285,665	\$ 445,590
Amounts held on behalf of the Government of Ontario (note 6)	142,823	988,317
Due to Government of Ontario	34,552	58,035
	<u>463,040</u>	<u>1,491,942</u>
Deferred capital contributions (note 7)	5,921	7,874
Deferred contributions (note 7)	271,042	437,421
Net assets:		
Invested in capital assets (note 8)	92,596	68,088
Internally restricted (note 9)	1,475,000	1,475,000
Unrestricted	1,169,356	829,994
	<u>2,736,952</u>	<u>2,373,082</u>
Commitments (note 10)		
	<u>\$ 3,476,955</u>	<u>\$ 4,310,319</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Ministry of Health and Long-Term Care - grant	\$ 1,823,445	\$ 1,834,891
Government of Ontario - special projects	731,354	402,576
Other - special projects	571,022	383,593
Fundraising	357,764	340,549
Bequests	145,892	191,577
Branch membership fees	186,000	180,000
Investment income	169,551	86,548
Unrealized investment gains	—	19,946
Mental health works programs	177,652	151,243
Amortization of deferred capital contributions	1,953	2,644
Other (notes 6 and 13)	180,956	174,728
	<u>4,345,589</u>	<u>3,768,295</u>
Expenses:		
Knowledge centre	1,410,655	1,404,882
Management, operations and support services	603,955	661,810
Mental health education and capacity building projects	1,306,836	786,169
Mental health works program	168,519	205,395
Communications and marketing	234,108	243,364
Fundraising	190,208	179,545
Revenue share program (note 11)	41,182	40,519
Amortization of capital assets	25,785	21,822
Unrealized investment losses	109	—
Loss on disposal of capital assets	362	1,051
	<u>3,981,719</u>	<u>3,544,557</u>
Excess of revenue over expenses	\$ 363,870	\$ 223,738

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

2015	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total
Balance, beginning of year	\$ 68,088	\$ 1,475,000	\$ 829,994	\$ 2,373,082
Excess of revenue over expenses	(24,194)	—	388,064	363,870
Purchase of capital assets	48,702	—	(48,702)	—
Balance, end of year	\$ 92,596	\$ 1,475,000	\$ 1,169,356	\$ 2,736,952

2014	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total
Balance, beginning of year	\$ 55,895	\$ 1,475,000	\$ 618,449	\$ 2,149,344
Excess of revenue over expenses	(20,229)	—	243,967	223,738
Purchase of capital assets	32,422	—	(32,422)	—
Balance, end of year	\$ 68,088	\$ 1,475,000	\$ 829,994	\$ 2,373,082

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 363,870	\$ 223,738
Items not involving cash:		
Loss on disposal of capital assets	362	1,051
Gain on sale of investments	(74,029)	(44,027)
Unrealized investment losses (gains)	109	(19,946)
Amortization of deferred capital contributions	(1,953)	(2,644)
Amortization of capital assets	25,785	21,822
	<u>314,144</u>	<u>179,994</u>
Change in non-cash operating working capital:		
Accounts receivable	(213,201)	111,913
Prepaid expenses	4,370	(8,866)
Accounts payable and accrued liabilities	(159,925)	186,227
Amounts held on behalf of the Government of Ontario	(845,494)	(396,993)
Due to Government of Ontario	(23,483)	401
Deferred contributions	(166,379)	240,237
	<u>(1,089,968)</u>	<u>312,913</u>
Investing activities:		
Proceeds on disposal of investments	844,745	362,820
Purchase of investments	(1,528,366)	(394,946)
Purchase of capital assets	(48,702)	(32,422)
	<u>(732,323)</u>	<u>(64,548)</u>
Increase (decrease) in cash	(1,822,291)	248,365
Cash, beginning of year	2,441,647	2,193,282
Cash, end of year	<u>\$ 619,356</u>	<u>\$ 2,441,647</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements

Year ended March 31, 2015

Canadian Mental Health Association - Ontario Division (the "Association") is a volunteer-based provincial organization, with a mandate to advocate with and provide programs and services for people with mental disorders and to enhance, maintain and promote the mental health of all individuals and communities in Ontario. The Association is incorporated under the Corporations Act of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada). The Association is exempt from income taxes under the Income Tax Act (Canada) provided the specified disbursement quota is achieved.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements comprise the accounts of Canadian Mental Health Association - Ontario Division's Provincial office. The results of the Canadian Mental Health Association ("CMHA") branches are not included in these financial statements as they are not controlled by the Association.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), using the deferral method of accounting for contributions.

(b) Revenue recognition:

Restricted contributions are recognized as deferred contributions and taken into revenue in the year in which the related expenses are incurred or the specified milestones have been achieved. Contributions restricted for the purchase of capital assets are deferred and taken into revenue at rates corresponding to the rates used to amortize the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted interest income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted interest income is recognized as revenue when earned.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(c) Financial instruments:

The Association has classified each of its financial instruments and recorded them as follows:

Asset/liability	Measurement
Cash	Fair value
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Amounts held on behalf of the Government of Ontario	Amortized cost
Due to Government of Ontario	Amortized cost

(d) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution to the extent that fair value is readily available. Amortization is provided on a declining-balance basis at a rate of 30% for computer hardware and software and 20% for office equipment and furniture and fixtures. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the term of the lease.

(e) Allocation of expenses:

Certain employees perform a combination of program, fundraising and administrative functions. As a result, salaries and benefits are allocated based on the budgeted resources dedicated to the functional activity. Occupancy costs and office overhead costs are allocated to programs based on the head count employed by each function. Those costs which cannot be readily allocated to functions are classified as management, operations and support services. Such allocations are reviewed regularly by the Association.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(f) Contributed services:

Much of the work of the Association is dependent on voluntary services. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

(g) Management estimates:

The preparation of financial statements in conformity with ASNPO 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 revenue and expenses during the year. Actual results could differ from such estimates. Accounts requiring estimates and assumptions include amortization expense and accrued liabilities.

2. Investments:

(a) An analysis of the carrying value of investments is as follows:

2015	Remaining term to maturity					Carrying value
	Within 3 months	3 to 12 months	Within 1 to 5 years	Over 5 years	No specific maturity	
Fixed income	\$ 413,764	\$ 177,389	\$ 628,152	\$ 42,740	\$ -	\$ 1,262,045
Foreign equities	-	-	-	-	31,413	31,413
Equities	-	-	-	-	998,699	998,699
	\$ 413,764	\$ 177,389	\$ 628,152	\$ 42,740	\$ 1,030,112	\$ 2,292,157

2014	Remaining term to maturity					Carrying value
	Within 3 months	3 to 12 months	Within 1 to 5 years	Over 5 years	No specific maturity	
Fixed income	\$ 190,123	\$ 195,231	\$ 701,698	\$ -	\$ -	\$ 1,087,052
Foreign equities	-	-	-	-	30,759	30,759
Equities	-	-	-	-	416,805	416,805
	\$ 190,123	\$ 195,231	\$ 701,698	\$ -	\$ 447,564	\$ 1,534,616

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Investments (continued):

(b) The cost and fair value of investments are as follows:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 1,200,106	\$ 1,262,045	\$ 996,203	\$ 1,087,052
Foreign equities	30,158	31,413	30,158	30,759
Equities	897,089	998,699	337,531	416,805
	\$ 2,127,353	\$ 2,292,157	\$ 1,363,892	\$ 1,534,616

3. Financial risks:

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 position of the investments, market events and the 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:

(a) 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 investments held by the Association have a limited exposure to interest rate risk due to their short-term maturity. The Association has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

(b) 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, 2015, the Association's investments in fixed income securities are primarily with banking institutions to a maximum of \$100,000 per institution.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Financial risks (continued):

(c) Market risk:

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

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association's investments include approximately \$633,465 (2014 - \$226,000) in U.S. equities, the value of which fluctuates in part due to changes in foreign exchange rates.

(e) Liquidity risk:

Investments in fixed income, pooled funds and equities securities are liquid and traded in the public market.

4. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 54,078	\$ 46,504	\$ 7,574	\$ 7,848
Computer hardware	216,702	176,948	39,754	39,526
Computer software	102,550	90,746	11,804	8,635
Office equipment	57,207	32,938	24,269	13,984
Furniture and fixtures	68,756	53,640	15,116	5,969
	\$ 499,293	\$ 400,776	\$ 98,517	\$ 75,962

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of \$23,193 (2014 - \$33,303), which relates to payroll remittances.

6. Amounts held on behalf of the Government of Ontario:

The Community Care Information Management Program is undertaken on behalf of the Ministry of Health and Long-Term Care. Funds, including interest relating to this program, have been flowed through the Association in the amount of \$709,084 (2014 - \$650,903) and \$1,554,578 (2014 - \$1,047,896) was spent and recouped during the year. A balance in the amount of \$142,823 (2014 - \$988,317) is disclosed in the statement of financial position as amounts held on behalf of the Government of Ontario. The Association received an administration fee for acting as the flow-through agency totaling approximately \$14,000 (2014 - \$6,362) which is included in other revenue on the statement of operations.

7. Deferred contributions:

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

	Opening balance	Contributions	Recognized in revenue	Ending balance
Government of Ontario (a)	\$ 176,579	\$ 616,279	\$ 731,354	\$ 61,504
Other deferred amounts (b)	71,405	156,013	110,702	116,716
Campus Mental Health Project (c)	189,437	330,000	495,185	24,252
Annual Conference Registrations (d)	—	68,570	—	68,570
	\$ 437,421	\$ 1,170,862	\$ 1,337,241	\$ 271,042
Ministry of Health and Long-Term Care - capital assets (e)	\$ 7,874	\$ —	\$ 1,953	\$ 5,921

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Deferred contributions (continued):

(a) Government of Ontario:

These funds provided by the various government of Ontario ministries fund the Communities in Action; Enabling Minds; Mood Walks; Living Life to the Full; Youth Suicide Prevention training and Youth Worker Training projects.

(b) Other deferred amounts:

The other deferred amounts balance comprises funds received from the Lawson foundation, the Centre for Addiction and Mental Health and Great West Life, and are designated to be applied to fund various specific projects.

(c) Campus Mental Health Project:

The Campus Mental Health project is a partnership with Colleges Ontario; the Council of Ontario Universities; the College Student Alliance and the Ontario Undergraduate Student Alliance and is funded by the Ministry of Training, Colleges and Universities. The project, which seeks to address the mental health needs of college and university students, will end on September 30, 2015 and has a budget totaling \$1,103,500. The project will accomplish the establishment of a community of practice; increase access to mental health specialists and create innovative new approaches to address campus mental health.

(d) Annual Conference Registration:

Registration fees received in the amount of \$68,570 relates to the annual conference of the Association scheduled to commence on April 26, 2015.

(e) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received from the Ministry of Health and Long-Term Care for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2015	2014
Capital assets	\$ 98,517	\$ 75,962
Amounts financed by deferred capital contributions	(5,921)	(7,874)
	<u>\$ 92,596</u>	<u>\$ 68,088</u>

(b) The change in net assets invested in capital assets is calculated as follows:

	2015	2014
Excess of revenue over expenses:		
Amortization of deferred capital contributions	\$ (1,953)	\$ (2,644)
Amortization of capital assets	25,785	21,822
Loss on disposal of capital assets	362	1,051
	<u>\$ 24,194</u>	<u>\$ 20,229</u>
Net investment in capital assets:		
Purchase of capital assets	\$ 48,702	\$ 32,422

9. Internally restricted net assets:

	2015	2014
Contingency and working capital reserve	\$ 775,000	\$ 775,000
Reserve for strategic initiatives	600,000	600,000
Management strategic initiatives reserve	100,000	100,000
	<u>\$ 1,475,000</u>	<u>\$ 1,475,000</u>

These internally restricted amounts are not available for any purpose other than those specified, without approval of the Board of Directors.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Commitments:

The Association rents premises and equipment under operating leases with approximate minimum aggregate annual commitments, exclusive of harmonized sales tax, realty taxes and operating costs, as follows:

2016	\$ 100,175
2017	97,300
2018	102,820
2019	102,415
2020	75,900
	<hr/>
	\$ 478,610

11. Revenue share program:

The Association shares 50% of direct mail receipts after related expenses and 35% of specific amounts received through the monthly giving program, with participating CMHA branches.

The amount due to the branches at year end in the amount of \$41,182 (2014 - \$40,769), has been included in accounts payable and accrued liabilities.

12. Pension plan:

The Association participates in a defined contribution pension plan administered by the CMHA National Division ("CMHA National"). The expense for this plan is equal to the Association's required contribution for the year. The pension expense for the year was \$84,614 (2014 - \$81,777).

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

13. Related party transactions and balances:

Related party transactions and balances not otherwise disclosed in the financial statements include \$93,685 (2014 - \$94,185) in other revenue relating to corporate services provided by the Association to CMHA National in accordance with a purchase of services agreement ("Agreement") and other costs and services. An amount of \$5,381 (2014 - \$7,061) is included in accounts receivable relating to this Agreement. Included in management, operations and support services is \$93,878 (2014 - \$93,872) relating to annual fees paid to CMHA National. All related party transactions and balances between the Association and CMHA National are recorded at the exchange amount.

14. 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 a lease agreement for the use of its premises. Under the terms of this agreement, the Association agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.
- (b) The Association has provided indemnities under the Agreement (note 13) against all losses, damages, costs or expenses suffered or incurred as a result of the Association's failure, breach, non-performance or negligent act or omission in connection with the performance of the services under the Agreement.
- (c) The Association indemnifies all directors, officers, employees and volunteers acting on behalf of the Association 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 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 Association has purchased liability insurance to mitigate the cost of any potential future suits or actions.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2015

15. Capital management:

In managing capital (net assets), the Association focuses on liquid resources available for operations and program delivery. The need for sufficient cash flow is considered in the preparation of the annual budget and in monitoring cash flows and actual expenditures compared to budget. The Association also has externally restricted funds (recorded in deferred contributions), with conditions stipulated in grant or donor agreements, and believes that it has complied with the requirements of these restricted funds.

16. Allocation of expenses:

The Association records its expenses by function. Costs that relate directly to each function are charged directly to that function. Certain costs relating to general administration and fundraising personnel, occupancy and office overhead are subject to allocations on the following basis:

- costs of personnel are allocated based on the resources budgeted for each function; and
- costs of occupancy and office overhead are allocated based on the headcount employed by each function.

The amount of allocated costs attributed to each function is as follows:

	Personnel		Occupancy		Office overhead	
	2015	2014	2015	2014	2015	2014
Knowledge centre	\$ 500,491	\$ 501,631	\$ 142,668	\$ 143,441	\$ 58,231	\$ 65,858
Communications and marketing	45,608	45,461	28,558	28,479	11,656	13,076
Management, operations and support services	144,865	143,876	46,687	43,707	19,056	20,067
Mental health works program	14,816	14,361	15,522	14,530	6,335	6,671
Fundraising	45,500	44,543	9,933	9,299	4,054	4,270
Total	\$ 751,280	\$ 749,872	\$ 243,368	\$ 239,456	\$ 99,332	\$ 109,942