

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION - ONTARIO
DIVISION**

Year ended March 31, 2018



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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, 2018, 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, 2018 and March 31, 2017, 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, 2017.

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, 2018, 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

June 16, 2018
Vaughan, Canada

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 1,181,814	\$ 908,419
Short-term investments (note 2)	612,674	753,584
Accounts receivable (note 14)	333,008	206,085
Program in progress (note 3)	218,927	–
Prepaid expenses	12,550	13,857
	<u>2,358,973</u>	<u>1,881,945</u>
Investments (note 2)	2,678,663	2,115,050
Capital assets (note 4)	199,238	81,799
Step rent receivable (note 8)	22,419	–
	<u>\$ 5,259,293</u>	<u>\$ 4,078,794</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5, 12 and 14)	\$ 673,334	\$ 415,016
Due to Government of Ontario (note 6)	584,066	157,322
	<u>1,257,400</u>	<u>572,338</u>
Deferred capital contributions (note 7)	2,584	3,392
Deferred contributions and deferred revenue (note 7)	336,152	355,309
Deferred rent (note 8)	58,054	–
	<u>1,654,190</u>	<u>931,039</u>
Net assets:		
Invested in capital assets (note 9)	196,654	78,407
Internally restricted (note 10)	1,700,000	1,475,000
Unrestricted	1,708,449	1,594,348
	<u>3,605,103</u>	<u>3,147,755</u>
Commitments and guarantees (notes 11 and 15)		
	<u>\$ 5,259,293</u>	<u>\$ 4,078,794</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Ministry of Health and Long-Term Care - grant	\$ 2,113,089	\$ 2,113,089
Government of Ontario - Bounce Back program	3,471,341	-
Government of Ontario - special projects	1,142,916	1,132,006
Government of Canada - special projects	202,518	224,366
Other - special projects	-	10,394
Fundraising	399,936	395,586
Bequests	386,493	303,200
Branch membership fees	203,000	203,000
Investment income	63,719	59,389
Gain on sale of investments	46,740	37,852
Unrealized investment gains, net	-	128,350
Mental health works programs	62,604	101,407
Amortization of deferred capital contributions (note 7)	808	1,080
Human Services and Justice Coordinating Committee conference	182,448	40,900
Other (note 14)	354,438	316,449
Rental income	145,032	-
	<u>8,775,082</u>	<u>5,067,068</u>
Expenses:		
Mental health education and capacity building projects - Bounce Back program	3,471,341	-
Knowledge centre	1,826,034	1,619,220
Mental health education and capacity building projects	1,363,593	1,396,817
Management, operations and support services (note 14)	772,187	712,704
Communications and marketing	516,836	518,117
Fundraising	206,283	202,798
Mental health works program	60,146	128,153
Amortization of capital assets	34,095	22,215
Revenue share program (note 12)	33,179	48,590
Unrealized investment losses, net	28,370	-
Loss on disposal of capital assets	5,670	550
	<u>8,317,734</u>	<u>4,649,164</u>
Excess of revenue over expenses	\$ 457,348	\$ 417,904

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

2018	Invested in capital assets (note 9)	Internally restricted (note 10)	Unrestricted	Total
Balance, beginning of year	\$ 78,407	\$ 1,475,000	\$ 1,594,348	\$ 3,147,755
Excess (deficiency) of revenue over expenses	(38,957)	–	496,305	457,348
Inter-fund transfer	–	225,000	(225,000)	–
Purchase of capital assets	157,204	–	(157,204)	–
Balance, end of year	\$ 196,654	\$ 1,700,000	\$ 1,708,449	\$ 3,605,103

2017	Invested in capital assets (note 9)	Internally restricted (note 10)	Unrestricted	Total
Balance, beginning of year	\$ 70,459	\$ 1,475,000	\$ 1,184,392	\$ 2,729,851
Excess (deficiency) of revenue over expenses	(21,685)	–	439,589	417,904
Purchase of capital assets	29,633	–	(29,633)	–
Balance, end of year	\$ 78,407	\$ 1,475,000	\$ 1,594,348	\$ 3,147,755

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 457,348	\$ 417,904
Items not involving cash:		
Loss on disposal of capital assets	5,670	550
Gain on sale of investments	(46,740)	(37,852)
Unrealized investment losses (gains)	28,370	(128,350)
Amortization of deferred capital contributions	(808)	(1,080)
Amortization of capital assets	34,095	22,215
	<u>477,935</u>	<u>273,387</u>
Change in non-cash operating working capital:		
Accounts receivable	(126,923)	(45,792)
Prepaid expenses	1,307	(3,510)
Program in progress	(218,927)	-
Step rent receivable	(22,419)	-
Accounts payable and accrued liabilities	258,318	(38,929)
Amounts held on behalf of the Government of Ontario	-	(26,727)
Due to Government of Ontario	426,744	122,156
Deferred contributions and deferred revenue	(19,157)	(55,537)
Deferred rent	58,054	-
	<u>834,932</u>	<u>225,048</u>
Investing activities:		
Change in investments, net	(404,333)	(301,056)
Purchase of capital assets	(157,204)	(29,633)
	<u>(561,537)</u>	<u>(330,689)</u>
Increase (decrease) in cash	273,395	(105,641)
Cash, beginning of year	908,419	1,014,060
Cash, end of year	<u>\$ 1,181,814</u>	<u>\$ 908,419</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements

Year ended March 31, 2018

Canadian Mental Health Association - Ontario Division (the "Association") is a 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 amortized 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, 2018

1. Significant accounting policies (continued):

Tenant rental income is recognized using the straight-line method over the term of the related lease. The difference between the rental revenue recognized and the amounts contractually due under the lease agreements is recorded as step rent receivable.

(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
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, 2018

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:

2018	Remaining term to maturity					Carrying value
	Within 3 months	Within 3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	
Fixed income	\$ 525,017	\$ 87,657	\$ 1,116,790	\$ –	\$ –	\$ 1,729,464
Equities	–	–	–	–	1,561,873	1,561,873
	\$ 525,017	\$ 87,657	\$ 1,116,790	\$ –	\$ 1,561,873	\$ 3,291,337

2017	Remaining term to maturity					Carrying value
	Within 3 months	Within 3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	
Fixed income	\$ 574,250	\$ 179,334	\$ 688,450	\$ –	\$ –	\$ 1,442,034
Equities	–	–	–	–	1,426,000	1,426,600
	\$ 574,250	\$ 179,334	\$ 688,450	\$ –	\$ 1,426,000	\$ 2,868,634

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Investments (continued):

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

	2018		2017	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 1,720,462	\$ 1,729,463	\$ 1,412,988	\$ 1,442,034
Equities	1,357,936	1,561,874	1,214,337	1,426,600
	<u>\$ 3,078,398</u>	<u>\$ 3,291,337</u>	<u>\$ 2,627,325</u>	<u>\$ 2,868,634</u>

3. Program in progress:

Program in progress reflects advances recorded under the terms of a contract between the Association and Canadian Mental Health Association York and South Simcoe ("CMHA YSS") whereby project milestones are in process of completion and funds had not been expended by CMHA YSS.

4. Capital assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 139,725	\$ 54,138	\$ 85,587	\$ 5,584
Computer hardware	167,791	128,112	39,679	38,999
Computer software	121,781	98,484	23,297	10,563
Office equipment	59,865	44,518	15,347	16,100
Furniture and fixtures	99,605	64,277	35,328	10,553
	<u>\$ 588,767</u>	<u>\$ 389,529</u>	<u>\$ 199,238</u>	<u>\$ 81,799</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of \$74,062 (2017 - \$31,413), which relate to payroll remittances.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Due to Government of Ontario:

Due to Government of Ontario represent unspent funding for specific purposes, payable to the Government of Ontario. Changes in the Due to Government of Ontario are as follows:

	Opening balance, due to Government of Ontario	Opening balance, deferred revenue (note 7(a))	Contributions	Interest earned on ministry funding	Recognized into revenue	Unspent money recouped during the year	Closing balance, due to Government of Ontario
Base funding (a)	\$ 24,054	\$ –	\$ 2,113,089	\$ 3,106	\$ (2,113,089)	\$ –	\$ 27,160
Bounce Back (b)	–	–	4,000,000	–	(3,471,341)	–	528,659
Campus Mental Health Project (c)	104,905	100,000	345,094	–	(521,752)	–	28,247
Mood Walks (d)	28,363	–	–	–	(7,377)	(20,986)	–
	\$ 157,322	\$ 100,000	\$ 6,458,183	\$ 3,106	\$ (6,113,559)	\$ (20,986)	\$ 584,066

(a) Base funding:

Funding received from the Ministry Of Health and Long Term Care ("MOHLTC"), to undertake work in two areas: health system development and mental health promotion, education and awareness.

(b) Bounce Back:

The Bounce Back Program is funded by MOHLTC. The project, which seeks to teach effective skills to help individuals (aged 15+) overcome symptoms of mild to moderate depression or anxiety, and improve their mental health, has been launched this fiscal year, and will run until the end of fiscal year 2020.

(c) Campus Mental Health:

The Campus Mental Health project 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, has been extended to March 31, 2020, based on a written confirmation from the Government of Ontario.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Due to Government of Ontario (continued):

(d) Mood Walks:

The Mood Walks project is funded by the Ministry of Tourism, Culture and sport. The project seeks to promote physical activity in nature, as a way to improve both physical and mental health.

7. Deferred contributions and deferred revenue:

	2018	2017
Deferred contribution relating to unspent resources externally restricted (a)	\$ 336,152	\$ 309,768
Deferred revenue relating to Collaborative Communications Program (g)	–	45,541
	\$ 336,152	\$ 355,309
Deferred capital contributions (a.1)	\$ 2,584	\$ 3,392

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

	Opening balance	Transfer to "Due to Government of Ontario" (note 6)	Contributions	Recognized in revenue	Ending balance
Government of Ontario (b)	\$ 48,015	\$ –	\$ 737,803	\$ 621,164	\$ 164,654
Other deferred amounts (c)	147,095	–	23,157	52,311	117,941
Campus Mental Health Project (d)	105,000	(100,000)	12,851	–	17,851
Government of Canada (e)	9,658	–	228,566	202,518	35,706
	\$ 309,768	\$ (100,000)	\$ 1,002,377	\$ 875,993	\$ 336,152

(a.1) Ministry of Health and Long-Term Care - capital assets (f)

	\$ 3,392	\$ –	\$ –	\$ 808	\$ 2,584
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CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Deferred contributions and deferred revenue (continued):

(b) Government of Ontario:

These funds provided by the various government of Ontario ministries, fund programs designed to educate and increase awareness; improve system design and build capacity within the community mental health sector.

(c) Other deferred amounts:

The other deferred amounts balance comprises funds received from non-government sources and are designated to be applied to fund various specific projects.

(d) Campus Mental Health Project:

The Campus Mental Health project 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, has been extended to March 31, 2020, based on a written confirmation from the Government of Ontario.

(e) Government of Canada:

These funds are used to fund the Living Life (formally New Horizon) to the Full program which provides and delivers training to reduce social isolation of marginalized caregivers aged 55 and over, in the greater Toronto area. The program which commenced on November 1, 2015 and concludes on October 31, 2018 has a total budget of \$786,290, of which \$671,470 will be provided by the Government of Canada.

(f) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received from the MOHLTC for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

(g) Collaborative Communications Program:

The Association offers a service fee based collaborative communications program to produce communications materials and to provide strategic communications advice to various CMHA branches. As at March 31, 2018, funds received in advance relating to this program totaled nil (2017 - \$45,541).

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Step rent receivable and deferred rent liability:

On June 26, 2017, the Association entered into a new lease agreement with Healthcare Properties Holdings Ltd. to lease two units (suite #1400 and #1410), at 180 Dundas Street West, Toronto. The agreement is effective September 1, 2017 until May 31, 2033.

The Association has adopted the straight-line method of recognizing rental expenses whereby the total amount of rental expenses to be paid to the landlord is accounted for on a straight-line basis over the term of the related lease. The difference between the rental expenses recognized and the amount contractually payable under the lease agreement is charged to deferred rent.

On June 27, 2017 and June 28, 2017, the Association entered into two sub-lease agreements, to sub-lease the two units at 180 Dundas Street West, Toronto. The agreements are effective September 1, 2017 until August 31, 2022.

The Association has adopted the straight-line method of recognizing rental income whereby the total amount of rental income to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental income recognized and the amount contractually due under the sub-lease agreements are charged to step rent receivable.

9. Invested in capital assets:

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

	2018	2017
Capital assets	\$ 199,238	\$ 81,799
Amounts financed by deferred capital contributions	(2,584)	(3,392)
	<u>\$ 196,654</u>	<u>\$ 78,407</u>

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Invested in capital assets (continued):

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

	2018	2017
Excess of revenue over expenses:		
Amortization of deferred capital contributions	\$ (808)	\$ (1,080)
Amortization of capital assets	34,095	22,215
Loss on disposal of capital assets	5,670	550
	\$ 38,957	\$ 21,685
Net investment in capital assets:		
Purchase of capital assets	\$ 157,204	\$ 29,633

10. Internally restricted net assets:

	2018	2017
Contingency and working capital reserve	\$ 1,000,000	\$ 775,000
Reserve for strategic initiatives	600,000	600,000
Management strategic initiatives reserve	100,000	100,000
	\$ 1,700,000	\$ 1,475,000

Except in the case of the Management Strategic Initiatives Reserve, funds from Reserve Accounts may not be withdrawn without Board approval. In the case of the Management Strategic Initiatives Reserve, funds may be removed and utilized at the discretion of the Chief Executive Officer after consultation with the Executive Committee.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Commitments:

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

2019	\$	192,770
2020		235,132
2021		248,748
2022		266,204
2023		282,205
Thereafter		3,327,550
		<hr/>
	\$	4,552,609

On April 10, 2017, the Association entered into an agreement with Healthcare Properties Holdings Ltd. for an extension to the current lease agreement which was scheduled to end on April 30, 2031 and to obtain additional office space. The agreement is effective June 1, 2018 and provides the Association with an extension of the leased premises from April 30, 2031 until May 31, 2033. The rental payments associated with the new agreement have been included above.

On June 26, 2017, the Association entered into a lease agreement with Healthcare Properties Holdings Ltd. additional for premises (suite #1400 and #1410), which the Association has subleased commencing September 1, 2017 until August 31, 2022. The lease agreement with Healthcare Properties Holdings Ltd. is effective September 1, 2017 until May 31, 2033. The rental payments associated with the new agreement have been included above.

12. 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 \$33,179 (2017 - \$48,590), has been included in accounts payable and accrued liabilities.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. 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 \$104,781 (2017 - \$92,863).

14. Inter-divisional transactions and balances:

Inter-divisional transactions and balances not otherwise disclosed in the financial statements include \$88,438 (2017 - \$109,036) in other revenue relating to corporate services provided by the Association to CMHA National in accordance with a purchase and service agreement ("Agreement") and other incidental costs and services. In addition, an amount of \$27,500 (2017 - \$55,000) is also included in other revenue relating to internal costs incurred by the Association for the national website platform management and support of CMHA National ("Website Platform").

An amount of \$22,807 (2017 - \$9,292) and nil (2017 - \$55,000) are included in accounts receivable relating to the Agreement and Website Platform, respectively.

Included in management, operations and support services is \$93,878 (2017 - \$93,878) relating to annual fees paid to CMHA National, all of which was paid as of year end.

An amount of \$10,771 (2017 - \$3,601) is included in accounts payable and accrued liabilities relating to other incidental costs and services.

All inter-divisional transactions and balances between the Association and CMHA National are recorded at the exchange amount.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

15. 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 various lease agreements 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 14) 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.

16. 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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

17. 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	
	2018	2017	2018	2017	2018	2017
Knowledge centre	\$ 560,552	\$ 544,539	\$ 193,191	\$ 176,758	\$ 76,011	\$ 74,902
Mental health works program	15,106	14,750	3,244	13,905	1,276	5,892
Management, operations and support services	160,292	155,180	88,007	41,826	19,194	17,724
Communications and marketing	51,501	49,264	53,196	45,608	20,930	19,327
Fundraising	48,338	47,202	10,380	8,899	4,084	3,771
Total	\$ 835,789	\$ 810,935	\$ 348,018	\$ 286,996	\$ 121,495	\$ 121,616

18. 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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

18. Financial risks (continued):

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. The Association's investment in fixed income securities are primarily with banking institutions, none of which individually exceeded the greater of 10% of the total portfolio at fair value or 15% of the fixed income portfolio at fair value. In addition, the Association's investment in equity securities are primarily with mid-to-large companies as measured by market capitalization, none of which individually exceeded the greater of 10% of the total portfolio at fair value or 15% of the equity portfolio at fair value.

(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 \$929,812 (2017 - \$812,913) in U.S. equities, the value of which fluctuates in part due to changes in foreign exchange rates.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2018

18. Financial risks (continued):

(e) Liquidity risk:

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

19. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in current year. The changes do not affect prior year results.