

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION - ONTARIO
DIVISION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Mental Health Association - Ontario Division

Opinion

We have audited the financial statements of Canadian Mental Health Association - Ontario Division (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, 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.

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 auditor's report.

We are independent of the Entity 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 the 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.



Page 3

- 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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 29, 2023

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 2,017,773	\$ 1,614,994
Short-term investments (note 2)	3,557,692	3,531,051
Accounts receivable	6,322,612	2,047,707
Program in progress (note 3)	400,000	53,179
Prepaid expenses	161,505	144,895
	<u>12,459,582</u>	<u>7,391,826</u>
Investments (note 2)	14,278,513	15,124,224
Capital assets (note 4)	536,713	522,536
Step rent receivable (note 8)	15,108	31,976
	<u>\$ 27,289,916</u>	<u>\$ 23,070,562</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5, 12 and 18)	\$ 3,103,185	\$ 1,083,884
Due to Government of Ontario (note 6)	3,818,823	2,760,747
	<u>6,922,008</u>	<u>3,844,631</u>
Deferred capital contributions (note 7)	–	84
Deferred contributions and deferred revenue (note 7)	2,062,298	324,781
Deferred rent (note 8)	601,115	596,116
	<u>9,585,421</u>	<u>4,765,612</u>
Net assets:		
Invested in capital assets (note 9)	536,713	522,452
Internally restricted (note 10)	13,700,000	13,700,000
Unrestricted	3,467,782	4,082,498
	<u>17,704,495</u>	<u>18,304,950</u>
Commitments and guarantees (notes 11 and 14)		
	<u>\$ 27,289,916</u>	<u>\$ 23,070,562</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Government of Ontario - special projects	\$ 10,371,159	\$ 2,222,278
Government of Ontario - Bounce Back program (note 6)	8,500,000	8,846,821
Ministry of Health (note 6)	2,113,081	2,113,081
Other	1,369,643	766,147
Fundraising	1,106,794	1,760,261
Investment income	803,655	580,866
Bequests	656,265	241,690
Rental income	543,658	511,202
Branch membership fees	205,500	213,000
Other grants	192,063	186,104
Gain on sale of investments	171,341	345,789
Mental health works programs	74,819	154,779
Amortization of deferred capital contributions (note 7(a.1))	84	607
Unrealized investment gains, net	-	316,309
Government of Canada - special projects	-	854
	26,108,062	18,259,788
Expenses:		
Mental health education and capacity building projects	10,494,563	2,848,468
Bounce Back program (note 6)	8,747,812	9,105,645
Management, operations and support services (note 18)	2,783,373	2,303,662
Health Systems Development	1,969,781	2,104,469
Unrealized investment losses, net	1,155,363	-
Communications and marketing	858,980	940,639
Fundraising	447,639	309,546
Mental health works program	109,591	439,684
Amortization of capital assets	96,194	76,512
Revenue share program (note 12)	45,221	50,759
Loss on disposal of capital assets	-	1,377
	26,708,517	18,180,761
Excess (deficiency) of revenue over expenses	\$ (600,455)	\$ 79,027

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

2023	Invested in capital assets (note 9)	Internally restricted (note 10)	Unrestricted	Total
Balance, beginning of year	\$ 522,452	\$ 13,700,000	\$ 4,082,498	\$ 18,304,950
Deficiency of revenue over expenses	(96,110)	–	(504,345)	(600,455)
Purchase of capital assets	110,371	–	(110,371)	–
Balance, end of year	\$ 536,713	\$ 13,700,000	\$ 3,467,782	\$ 17,704,495

2022	Invested in capital assets (note 9)	Internally restricted (note 10)	Unrestricted	Total
Balance, beginning of year	\$ 287,830	\$ 13,700,000	\$ 4,238,093	\$ 18,225,923
Excess (deficiency) of revenue over expenses	(77,682)	–	156,709	79,027
Purchase of capital assets	312,304	–	(312,304)	–
Balance, end of year	\$ 522,452	\$ 13,700,000	\$ 4,082,498	\$ 18,304,950

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (600,455)	\$ 79,027
Items not involving cash:		
Loss on disposal of capital assets	–	1,377
Gain on sale of investments	(171,341)	(345,789)
Unrealized investment losses (gains)	1,155,363	(316,309)
Amortization of deferred capital contributions	(84)	(607)
Amortization of capital assets	96,194	76,512
	479,677	(505,789)
Change in non-cash operating working capital:		
Accounts receivable	(4,274,905)	(1,353,578)
Program in progress	(346,821)	336,314
Prepaid expenses	(16,610)	(51,258)
Step rent receivable	16,868	19,909
Accounts payable and accrued liabilities	2,019,301	421,941
Due to Government of Ontario	1,058,076	(438,859)
Deferred contributions and deferred revenue	1,737,517	(758,174)
Deferred rent	4,999	119,107
	678,102	(2,210,387)
Investing activities:		
Change in investments, net	(164,952)	40,439
Purchase of capital assets	(110,371)	(312,304)
Proceeds from disposal of capital assets	–	400
	(275,323)	(271,465)
Increase (decrease) in cash	402,779	(2,481,852)
Cash, beginning of year	1,614,994	4,096,846
Cash, end of year	\$ 2,017,773	\$ 1,614,994

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements

Year ended March 31, 2023

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 Ontario Not-for-Profit Corporations Act 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") National Division and 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, 2023

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, 2023

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.

2. Investments:

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

2023	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 Equities	\$ 2,489,287	\$ 1,068,405	\$ 3,878,725	\$ 539,662	\$ –	\$ 7,976,079
	–	–	523,752	–	9,336,374	9,860,126
	\$ 2,489,287	\$ 1,068,405	\$ 4,402,477	\$ 539,662	\$ 9,336,374	\$ 17,836,205

2022	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 Equities	\$ 2,182,431	\$ 1,088,435	\$ 3,787,721	\$ 633,540	\$ –	\$ 7,692,127
	260,185	–	518,046	–	10,184,917	10,963,148
	\$ 2,442,616	\$ 1,088,435	\$ 4,305,767	\$ 633,540	\$ 10,184,917	\$ 18,655,275

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Investments (continued):

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

	2023		2022	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 8,140,083	\$ 7,976,079	\$ 7,792,814	\$ 7,692,127
Equities	8,810,749	9,860,126	8,821,725	10,963,148
	<u>\$ 16,950,832</u>	<u>\$ 17,836,205</u>	<u>\$ 16,614,539</u>	<u>\$ 18,655,275</u>

3. Program in progress:

Program in progress reflects advances recorded under the terms of a contract pertaining to the Bounce Back program (note 6(b)) 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:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 336,960	\$ 223,168	\$ 113,792	\$ 87,285
Computer software	131,328	122,989	8,339	11,913
Office equipment	70,878	58,173	12,705	15,881
Furniture and fixtures	187,208	113,126	74,082	89,723
Leasehold improvements	494,757	166,962	327,795	317,734
	<u>\$ 1,221,131</u>	<u>\$ 684,418</u>	<u>\$ 536,713</u>	<u>\$ 522,536</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of nil (2022 - \$102,426), which relate to payroll remittances.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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	Contributions	Interest earned on ministry funding	Recognized into revenue	Recouped by Government of Ontario	Closing balance, due to Government of Ontario
Base funding (a)	\$ 133,075	\$ 2,113,081	\$ –	\$ (2,113,081)	\$ –	\$ 133,075
Bounce Back program (b)	1,590,712	8,900,000	37,832	(8,500,000)	(761,482)	1,267,062
COVID Emergency program (c)	1,007,500	188,339	18,181	–	–	1,214,020
Campus Mental Health project (d)	29,460	–	107	–	–	29,567
Your Health Space program (e)	–	2,830,793	–	(2,249,860)	–	580,933
Mental Health and Justice Inventory program (f)	–	1,000,000	–	(405,834)	–	594,166
	\$ 2,760,747	\$ 15,032,213	\$ 56,120	\$ (13,268,775)	\$ (761,482)	\$ 3,818,823

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Due to Government of Ontario (continued):

(a) Base funding:

Funding received from the Ministry of Health ("MOH"), to undertake work in two areas: health system development and mental health promotion, education and awareness.

(b) Bounce Back program:

The Bounce Back program is funded by MOH. 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, was launched in fiscal 2018, and will run until the end of fiscal year 2025.

(c) COVID Emergency program:

On December 18, 2020 the Ministry of Mental Health ("Ministry") provided one time funding of \$1,750,000 for the 2020-21 funding year to implement up to 500 temporary supportive housing units on an emergency basis should there be an outbreak in the Ministry-funded congregate care supportive housing between November 2020 and March 2021. As at March 31, 2021, none of these funds were spent and the Ministry served notice that \$1,000,000 of these unspent funds were to be recouped and that the other \$750,000 could be carried over to be used in fiscal 2021-22 for specific COVID measures as specified in the funding agreement. During March 2022, \$750,000 was disbursed to 24 branches to be spent for the purposes it was provided, including additional costs related to COVID.

During the year \$561,661 was spent leaving a balance of \$188,339 to be recouped by the Ministry along with the original \$1,000,000 and interest in the amount of \$25,681.

(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, 2026, 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, 2023

6. Due to Government of Ontario (continued):

(e) Your Health Space program:

Your Health Space program is a free provincial workplace mental health program funded by MOH. In fiscal year 2022-23 the program was offered to leaders, health care workers, and support staff working in hospitals, long-term care facilities, mental health and addictions services, primary care, as well as, home and community care settings. During the year, funding received totaled \$3,930,793 of which \$2,249,860 was spent leaving a balance of \$1,680,933, of which, MOH has authorized the carry over to the next fiscal year of \$1,100,000. The remaining balance of \$580,933 is subject to recoupment by MOH.

(f) Mental Health and Justice Inventory program:

The purpose of the Mental Health and Justice Inventory program funded by MOH, is to address operational pressures and to conduct a province wide scan to inventory all mental health and justice programs that exist in the province which are funded by MOH, other ministries, and/or municipalities. During the year, funding received totaled \$1,000,000 of which \$405,834 was spent leaving a balance of \$594,166 which is subject to recoupment by MOH.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Deferred contributions and deferred revenue:

	2023	2022
Deferred contribution relating to unspent resources externally restricted (a)	\$ 2,062,298	\$ 324,781
Deferred capital contributions (a.1)	\$ –	\$ 84

(a) 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	Government of Ontario	Due from ending balance
Government of Ontario (b)	\$ –	\$ 5,564,818	\$ (3,047,547)	\$ (1,174,263)	\$ 1,343,008
Other deferred amounts (c)	258,745	345,233	(244,341)	–	359,637
Campus Mental Health project (d)	66,036	1,176,804	(883,187)	–	359,653
	\$ 324,781	\$ 7,086,855	\$ (4,175,075)	\$ (1,174,263)	\$ 2,062,298

(a.1) Ministry of Health and Long-Term Care - capital assets (e)	\$ 84	\$ –	\$ 84	\$ –	\$ –
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(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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Deferred contributions and deferred revenue (continued):

(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 and conferences.

(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, 2026, based on a written confirmation from the Government of Ontario.

(e) Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received from the MOH 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, 2023

8. Step rent receivable and deferred rent liability:

The Association has entered into the following lease agreements:

- (a) On April 10, 2017, the Association entered into an agreement with Healthcare Properties Holdings Ltd. for an extension to the current lease agreement relating to four units (suite #2301, #2303, #2305 and #2308), at 180 Dundas Street West, Toronto, which was scheduled to end on April 30, 2031 and to obtain additional office space. The agreement is effective June 1, 2018 until May 31, 2033.
- (b) On June 26, 2017, the Association entered into a 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.
- (c) On October 22, 2018, the Association entered into a lease agreement with DEC Nominee Inc. to lease one unit (suite #1420), at 180 Dundas Street West, Toronto. Rental payments commence on May 1, 2019 until May 31, 2033.
- (d) On April 3, 2020, the Association entered into an additional lease agreement with DEC Nominee Inc. to lease one unit (suite #1508), at 180 Dundas Street West, Toronto. Rental payments commence on November 1, 2020 until October 31, 2025.
- (e) On October 1, 2021, the Association entered into a lease agreement with DEC Nominee Inc. to lease one unit (suite #2601), at 180 Dundas Street West, Toronto. Rental payments commence on February 1, 2022 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(s) 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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Step rent receivable and deferred rent liability (continued):

The Association has entered into the following sub-lease agreements:

- (a) On June 27, 2017 and June 28, 2017, the Association entered into two sub-lease agreements, to sub-lease the two units (suite #1400 and #1410), at 180 Dundas Street West, Toronto. On May 13, 2022 and June 30, 2022, the sub-lease agreements were amended to extend the terms from September 1, 2022 until August 31, 2024 and August 31, 2027, respectively.
- (b) On June 27, 2017, the Association entered into a sub-lease agreement, to sub-lease the one unit (suite #2305) at 180 Dundas Street West, Toronto. On June 14, 2022, the sub-lease agreement was amended to extend the term from May 1, 2022 to April 30, 2025.
- (c) On November 14, 2018 and January 13, 2019, the Association entered into two sub-lease agreements, to sub-lease the one unit (suite #1420) at 180 Dundas Street West, Toronto. The agreements are effective January 1, 2019 and February 1, 2019 until December 31, 2023.
- (d) On March 31, 2020, the Association entered into a sub-lease agreement, to sub-lease the one unit (suite #1508) at 180 Dundas Street West, Toronto. The agreement is effective March 31, 2020 until October 31, 2025.

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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Invested in capital assets:

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

	2023	2022
Capital assets	\$ 536,713	\$ 522,536
Amounts financed by deferred capital contributions	–	(84)
	<u>\$ 536,713</u>	<u>\$ 522,452</u>

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

	2023	2022
Excess of revenue over expenses:		
Amortization of deferred capital contributions	\$ (84)	\$ (607)
Amortization of capital assets	96,194	76,512
Loss on disposal of capital assets	–	1,777
	<u>\$ 96,110</u>	<u>\$ 77,682</u>
Net investment in capital assets:		
Purchase of capital assets	\$ 110,371	\$ 312,304

10. Internally restricted net assets:

	2023	2022
Contingency and working capital reserve	\$ 9,200,000	\$ 9,200,000
Reserve for strategic initiatives	4,400,000	4,400,000
Management strategic initiatives reserve	100,000	100,000
	<u>\$ 13,700,000</u>	<u>\$ 13,700,000</u>

Except in the case of the management strategic initiatives reserve, funds from internally restricted net assets 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, 2023

11. Commitments:

The Association rents premises and equipment under operating leases which extend until 2033, with minimum aggregate annual commitments, exclusive of harmonized sales tax, realty taxes and operating costs, as follows:

2024	\$	590,988
2025		609,676
2026		603,033
2027		606,648
2028		608,503
Thereafter		3,378,859
		<hr/>
	\$	6,397,707

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 \$45,221 (2022 - \$50,759), has been included in accounts payable and accrued liabilities.

13. Pension plan:

Effective June 1, 2020 the Association joined the Healthcare of Ontario Pension Plan ("HOOPP"). Existing employees had an option to become a member of the HOOPP or maintain membership in the existing defined contribution pension plan. New employees will automatically become members of the HOOPP. The pension expense relating to the HOOPP plan for the year was \$562,807 (2022 - \$408,234).

In addition to the HOOPP plan, the Association continues to participate in the defined contribution pension plan administered by a board of trustees appointed 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 relating to the defined contribution plan for the year was \$12,047 (2022 - \$25,277).

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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 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 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.

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.

CANADIAN MENTAL HEALTH ASSOCIATION - ONTARIO DIVISION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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	
	2023	2022	2023	2022	2023	2022
Management, operations and support services	\$ 227,096	\$ 230,777	\$ 433,837	\$ 216,583	\$ 40,712	\$ 32,993
Health Systems Development	674,538	701,917	111,611	134,538	58,453	43,390
Communications and marketing	85,123	90,313	64,346	47,372	24,838	18,437
Mental health works program	–	–	–	–	12,326	9,149
Fundraising	61,551	61,535	36,939	27,195	6,723	2,218
Total	\$ 1,048,308	\$ 1,084,542	\$ 646,733	\$ 425,688	\$ 143,052	\$ 106,187

17. Financial risks:

The investments held by the Association (note 2) 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, 2023

17. 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 \$3,953,893 (2022 - \$4,376,632) 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, 2023

17. Financial risks (continued):

(e) Liquidity risk:

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

18. Inter-divisional transactions:

Included in management, operations and support services is \$93,878 (2022 - \$93,878) relating to annual fees paid to CMHA National, all of which was paid as of year end.

An amount of \$4,000 (2022 - \$14,001) 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.

19. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.