Grant Thornton

Financial Statements

The Canadian Mental Health Association

Toronto Branch

March 31, 2018

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Independent Auditor's Report

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To the Members of
The Canadian Mental Health Association Toronto Branch

We have audited the accompanying financial statements of The Canadian Mental Health Association Toronto Branch, which comprise the balance sheet as at March 31, 2018, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Mental Health Association Toronto Branch as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Toronto, Canada
June 11, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Canadian Mental Health Association Toronto Branch
Statement of Revenue and Expenses

Year ended March 31,	2018	2017
Revenue		
Central LHIN	$ 18,611,018	$ 17,743,002
Toronto Central LHIN	979,289	983,234
Central East LHIN	648,656	557,090
Rent supplement (Note 9)	3,285,832	3,088,361
Other government grants	4,156,363	3,724,998
Rental income (Note 9)	2,898,626	2,893,044
Fees for services rendered	1,418,139	1,493,559
United Way of Greater Toronto	649,562	647,781
Donations	214,663	150,068
Investment income	7,612	3,320
	32,869,760	31,248,457
Expenses		
Salaries and benefits	18,056,268	17,386,746
Housing accommodation (Note 9)	6,453,960	6,299,704
Purchased services	4,718,832	4,691,188
Building occupancy	1,374,726	1,297,870
Program supplies and meetings	934,470	819,307
Travel	461,723	469,790
Office	552,695	462,647
Equipment purchases	121,485	139,370
Recruitment and education	186,003	133,418
Amortization of capital assets	110,349	68,966
Promotion and publicity	3,674	2,806
	32,974,185	31,771,812
Deficiency of revenue over expenses before the undernoted	(104,425)	(487,355)
Unrealized gain on investments	176,464	405,928
Excess (deficiency) of revenue over expenses	$ 72,039	$ (81,427)

See accompanying notes to the financial statements.

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

	Operating Fund	Richmond Sheppard Fund	Invested in capital assets (Note 4(b))	**Total 2018**	Total 2017
Net assets, beginning of year	$ -	$ 3,100,507	$ 793,729	**$ 3,894,236**	$ 3,975,663
Excess (deficiency), of revenue over expenses	(104,425)	176,464	-	**72,039**	(81,427)
Change in fund balances invested in capital assets	280,317	-	(280,317)	**-**	-
Transfer from Richmond/ Sheppard Fund to operating fund (Note 8)	(175,892)	175,892	-	**-**	-
Net assets, end of year	$ -	$ 3,452,863	$ 513,412	**$ 3,966,275**	$ 3,894,236

See accompanying notes to the financial statements.

The Canadian Mental Health Association Toronto Branch
Balance Sheet

As at March 31	2018	2017
Assets		
Current assets		
Cash	**$ 1,511,409**	$ 761,858
Accounts receivable	**401,544**	646,408
Prepaid expenses	**906,531**	710,128
	2,819,484	2,118,394
Investments (Note 3)	**4,430,709**	4,490,913
Capital assets (Note 4(a))	**759,103**	596,530
	$ 8,009,296	$ 7,205,837

	2018	2017
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,722,193**	$ 1,545,282
Due to Ontario Ministry of Health and Long-Term Care/ Central LHIN	**819,245**	648,577
	2,541,438	2,193,859
Deferred contributions (Note 5)	**1,127,463**	926,485
Deferred capital contributions (Note 6)	**245,691**	15,808
Employee future benefits (Note 7)	**31,469**	65,625
Deferred lease inducements	**96,960**	109,824
	4,043,021	3,311,601
Net assets		
Invested in capital assets (Note 4(b))	**513,412**	793,729
Richmond/Sheppard Fund (Note 8)	**3,452,863**	3,100,507
	3,966,275	3,894,236
	$ 8,009,296	$ 7,205,837

Lease commitments and guarantees (Notes 11 and 12)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

The Canadian Mental Health Association Toronto Branch
Statement of Cash Flows

Year ended March 31,	2018	2017
Increase (decrease) in cash		
Operating activities		
Excess (deficiency) of revenue over expenses	**$ 72,039**	$ (81,427)
Add (deduct) items not affecting cash		
Amortization of capital assets	**110,349**	68,966
Amortization of deferred capital contributions	**(39,808)**	(21,699)
Amortization of deferred lease inducements	**(12,864)**	(12,863)
Re-investment of investment income, net of management fees	**36,668**	37,793
Unrealized gain on investments	**(176,464)**	(405,928)
	(10,080)	(415,158)
Change in non-cash working capital balances related to operations		
Accounts receivable	**244,864**	336,757
Prepaid expenses	**(196,403)**	(94,801)
Accounts payable and accrued liabilities	**176,911**	(614,962)
Due to Ontario Ministry of Health and Long-Term Care/ Central LHIN	**170,668**	388,134
Deferred contributions	**200,978**	138,542
Employee future benefits	**(34,156)**	53,288
	552,782	(208,200)
Investing activities		
Purchase of capital assets	**(272,922)**	(365,210)
Sale of investments	**200,000**	200,000
	(72,922)	(165,210)
Financing activities		
Deferred capital contributions	**269,691**	(31,200)
Net increase (decrease) in cash	**749,551**	(404,610)
Cash, beginning of year	**761,858**	1,166,468
Cash, end of year	**$ 1,511,409**	$ 761,858

See accompanying notes to the financial statements.

1. Purpose of organization

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

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

2. Summary of significant accounting policies

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

Capital assets

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

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

Revenue recognition

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

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

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

2. Summary of significant accounting policies (continued)

Financial instruments

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

Investments

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

Transaction costs are expensed as they are incurred

Employee future benefits

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

Deferred lease inducements

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

Use of estimates

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

3. Investments

The Association's investments are held in one balanced pooled fund with Mawer Investment Management Ltd. The value of the investments is $4,430,709 (2017 - $4,490,913).

4. Capital assets

(a) Capital assets consist of the following:

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Furniture and equipment	$ 58,642	$ 49,322	**$ 9,320**	$ -
Computer equipment	50,081	9,246	**40,835**	21,048
Leasehold improvements	846,742	137,794	**708,948**	575,482
	$ 955,465	**$ 196,362**	**$ 759,103**	$ 596,530

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

	2018 Net Book Value	2017 Net Book Value
Balance, beginning of the year	**$ 793,729**	$ 431,723
Amortization of capital assets	**(110,349)**	(68,966)
Amortization of deferred capital contributions	**39,808**	21,699
Amortization of deferred lease inducements	**-**	12,863
Purchase of capital assets	**272,922**	365,210
Capital assets financed through deferred contributions	**(269,691)**	31,200
Inter-fund transfer to operating fund	**(213,007)**	-
Balance, end of year	**$ 513,412**	$ 793,729

5. Deferred contributions

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

	2018	2017
Balance, beginning of year	**$ 926,485**	$ 787,943
Grants, donations and investment income	**31,373,884**	28,371,827
Recognized as revenue	**(31,172,906)**	(28,233,285)
Balance, end of year	**$ 1,127,463**	$ 926,485

The deferred contributions are to be spent as follows:

	2018	2017
Mental health programs	**$ 700,523**	$ 499,545
Rent charges	**426,940**	426,940
	$ 1,127,463	$ 926,485

6. Deferred capital contributions

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

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

	2018	2017
Balance, beginning of year	**$ 15,808**	$ 68,707
Contributions (reimbursed) received for capital assets	**269,691**	(31,200)
Recognized as revenue	**(39,808)**	(21,699)
Balance, end of year	**$ 245,691**	$ 15,808

7. Employee future benefits

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

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

	2018	2017
Balance, beginning of year	**$ 136,050**	$ 143,083
Current service costs	**29,441**	53,285
Benefit payments	**(70,425)**	(60,318)
Balance, end of year	**$ 95,066**	$ 136,050

	2018	2017
Current portion included in accounts payable and accrued liabilities	**$ 63,597**	$ 70,425
Long term portion	**31,469**	65,625
Funding status, unfunded	**$ 95,066**	$ 136,050

8. Richmond/Sheppard Fund

The Richmond/Sheppard Fund was established by a resolution of the Board of Directors (the "Board") in 1976 to help preserve the long-term financial viability of the Association. It is the policy of the Board to record all non-designated donations received greater than $25,000 plus investment income earned on the net assets, as revenue in the fund. At the discretion of the Board amounts may be transferred to the operating fund. The assets of the fund in the amount of $3,452,863 (2017- $3,100,507) as at March 31, 2018 are included in the investments of $4,430,709 (2017 - $4,490,913) in Note 3.

9. Rent supplement funding

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

			2018	2017
	Ministry of Health Homelessness Initiative	Other Funders	**Total**	Total
Rent to landlords	$ 6,053,806	$ 400,154	**$ 6,453,960**	$ 6,299,704
Building occupancy	-	2,280	**2,280**	**-**
Maintenance and other expenses	137,004	1,110	**138,114**	120,017
Housing accommodation expenses	6,190,810	403,544	**6,594,354**	6,419,721
Less: rental income	(2,793,768)	(104,858)	**(2,898,626)**	(2,893,044)
Fee for services	-	1,065	**1,065**	-
Less: investment income	(2,897)	-	**(2,897)**	-
Less: rent supplement	(3,285,832)	(248,597)	**(3,534,429)**	(3,262,197)
Deficiency of revenue/housing accommodation expenses	$ 108,313	$ 51,154	**$ 159,467**	$ 264,480

10. Pension plan

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

Contributions to HOOPP made during the year by the Organization amounted to $214,434 and are included in salaries and benefits in the Statement of revenue and expenditure.

The organization also maintains a defined contribution pension plan for its employees. Included in the Statement of revenue and expenditures are contributions to the plan by CMHA – Toronto Branch of $522,573 (2017 – 549,994).

11. Lease commitments

The Association's office premises and program sites are operated under nine lease agreements which expire over various periods to March 31, 2026. The Association also leases housing units which it sublets to clients through 515 annual agreements that expire over the period in fiscal 2019. Minimum annual rents under these agreements for the next five fiscal years and thereafter are as follows:

2019	$ 1,578,576
2020	472,385
2021	487,745
2022	494,476
2023	448,584
Thereafter	948,643
	$ 4,430,409

12. Guarantees

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

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

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

The nature of these indemnification agreements prevents the Association from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Association has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements.

13. Financial instruments and risk management

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

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

Interest rate risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2018, the Association's investments in the pooled fund are held with Mawer Investment Management Ltd.

Market risk

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

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its obligations when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2018, the most significant financial liabilities are accounts payable and accrued liabilities and amounts due to the Ontario Ministry of Health and Long-Term Care/Central LHIN.

14. Comparative figures

Certain reclassifications for the year ended March 31, 2017 have been made for the purpose of comparability.