Grant Thornton

# Financial Statements

# The Canadian Mental Health Association

# Toronto Branch

March 31, 2020

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# Independent Auditor's Report

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To the Members of
The Canadian Mental Health Association Toronto Branch

## Opinion

We have audited the financial statements of The Canadian Mental Health Association Toronto Branch (the "Association"), which comprise the balance sheet as at March 31, 2020, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
June 8, 2020

Chartered Professional Accountants
Licensed Public Accountants

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

| Year ended March 31, | 2020 | 2019 |
|---|---|---|
| **Revenue** | | |
| Local Health Integration Networks (LHIN) Funding | **$ 24,271,340** | $ 23,090,823 |
| Other government grants | **5,179,023** | 4,326,290 |
| Ministry of Health and Long-Term Care | | |
| Rent supplement (Note 9) | **3,621,628** | 3,780,353 |
| Rental income (Note 9) | **3,106,423** | 2,982,073 |
| Fees for services rendered | **1,315,325** | 1,332,922 |
| United Way of Greater Toronto | **708,569** | 683,346 |
| Donations | **326,753** | 311,126 |
| Investment income | **37,503** | 17,249 |
| | **38,566,564** | 36,524,182 |
| **Expenses** | | |
| Salaries and benefits | **22,822,015** | 21,111,341 |
| Housing accommodation (Note 9) | **6,678,628** | 6,507,035 |
| Purchased services | **4,513,257** | 4,772,792 |
| Building occupancy | **1,793,146** | 1,466,394 |
| Program supplies and meetings | **1,318,829** | 1,311,009 |
| Office | **620,202** | 496,041 |
| Travel | **514,522** | 476,304 |
| Recruitment and education | **221,528** | 214,492 |
| Amortization of capital assets | **125,839** | 116,338 |
| Equipment purchases | **75,706** | 137,347 |
| Promotion and publicity | **15,736** | 19,554 |
| | **38,699,408** | 36,628,647 |
| Deficiency of revenue over expenses before unrealized (loss) gain on investments | **(132,844)** | (104,465) |
| Unrealized (loss) gain on investments | **(53,871)** | 329,687 |
| (Deficiency) excess of revenue over expenses | **$ (186,715)** | $ 225,222 |

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 2020** | Total 2019 |
|---|---|---|---|---|---|
| Net assets, beginning of year | $ - | $ 3,747,763 | $ 443,734 | **$ 4,191,497** | $ 3,966,275 |
| (Deficiency) excess, of revenue over expenses | (132,844) | (53,871) | - | **(186,715)** | 225,222 |
| Change in fund balances invested in capital assets | (55,811) | - | 55,811 | **-** | - |
| Transfer from Richmond/ Sheppard Fund to operating fund (Note 8) | 188,655 | (188,655) | - | **-** | - |
| Net assets, end of year | $ - | $ 3,505,237 | $ 499,545 | **$ 4,004,782** | $ 4,191,497 |

# The Canadian Mental Health Association Toronto Branch
## Balance Sheet

| As at March 31, | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | **$ 2,434,786** | $ 1,346,483 |
| Accounts receivable | **532,020** | 801,105 |
| Prepaid expenses | **728,435** | 701,714 |
| | **3,695,241** | 2,849,302 |
| Investments (Note 3) | **4,871,065** | 4,724,398 |
| Capital assets (Note 4(a)) | **703,371** | 697,443 |
| | **$ 9,269,677** | $ 8,271,143 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **$ 2,113,654** | $ 2,010,260 |
| Due to Ontario Ministry of Health and Long-Term Care/ Local Health Integration Networks | **1,476,193** | 742,110 |
| | **3,589,847** | 2,752,370 |
| Deferred contributions (Note 5) | **1,379,586** | 966,768 |
| Deferred capital contributions (Note 6) | **203,826** | 253,709 |
| Employee future benefits (Note 7) | **19,264** | 22,134 |
| Deferred lease inducements | **72,372** | 84,665 |
| | **5,264,895** | 4,079,646 |
| **Net assets** | | |
| Invested in capital assets (Note 4(b)) | **499,545** | 443,734 |
| Richmond/Sheppard Fund (Note 8) | **3,505,237** | 3,747,763 |
| | **4,004,782** | 4,191,497 |
| | **$ 9,269,677** | $ 8,271,143 |

Lease commitments and guarantees (Notes 11 and 12)

On behalf of the Board

_______________ Director _______________ Director

Frank Van Nie Kimberly Moran

See accompanying notes to the financial statements.

# The Canadian Mental Health Association Toronto Branch
## Statement of Cash Flows

| Year ended March 31, | 2020 | 2019 |
|---|---|---|
| Increase (decrease) in cash | | |
| **Operating activities** | | |
| (Deficiency) excess of revenue over expenses | $ (186,715) | $ 225,222 |
| Add (deduct) items not affecting cash | | |
| Amortization of capital assets | 125,839 | 116,338 |
| Amortization of deferred capital contributions | (49,883) | (46,660) |
| Amortization of deferred lease inducements | (12,293) | (12,295) |
| Re-investment of investment income, net of management fees | 29,462 | 35,998 |
| Unrealized loss (gain) on investments | 53,871 | (329,687) |
| | (39,719) | (11,084) |
| Change in non-cash working capital balances related to operations | | |
| Accounts receivable | 269,085 | (399,561) |
| Prepaid expenses | (26,721) | 204,817 |
| Accounts payable and accrued liabilities | 103,394 | 288,067 |
| Due to Ontario Ministry of Health and Long-Term Care/ Local Health Integration Networks | 734,083 | (77,135) |
| Deferred contributions | 412,818 | (160,695) |
| Employee future benefits | (2,870) | (9,335) |
| | 1,450,070 | (164,926) |
| **Investing activities** | | |
| Purchase of capital assets | (131,767) | (54,678) |
| Purchase of investments | (230,000) | - |
| | (361,767) | (54,678) |
| **Financing activities** | | |
| Deferred capital contributions | - | 54,678 |
| Net increase (decrease) in cash | 1,088,303 | (164,926) |
| Cash, beginning of year | 1,346,483 | 1,511,409 |
| Cash, end of year | $ 2,434,786 | $ 1,346,483 |

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.

### 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 items requiring the use of management estimates are 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 $4,871,065 (2019 - $4,724,398).

### 4. Capital assets

(a) Capital assets consist of the following:

| | | | **2020** | 2019 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | **Net Book Value** | Net Book Value |
| Furniture and equipment | $ 85,660 | $ 61,710 | **$ 23,950** | $ 17,181 |
| Computer equipment | 112,458 | 32,336 | **80,122** | 72,102 |
| Leasehold improvements | 943,791 | 344,492 | **599,299** | 608,160 |
| | **$ 1,141,909** | **$ 438,538** | **$ 703,371** | $ 697,443 |

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

| | **2020** | 2019 |
|---|---|---|
| | **Net Book Value** | Net Book Value |
| Balance, beginning of the year | **$ 443,734** | $ 513,412 |
| Amortization of capital assets | **(125,839)** | (116,338) |
| Amortization of deferred capital contributions | **49,883** | 46,660 |
| Purchase of capital assets | **131,767** | 54,678 |
| Capital assets financed through deferred contributions | **-** | (54,678) |
| Balance, end of year | **$ 499,545** | $ 443,734 |

## 5. Deferred contributions

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

| | **2020** | 2019 |
|---|---|---|
| Balance, beginning of year | **$ 966,768** | $ 1,127,463 |
| Funding, grants, donations and investment income | **36,479,978** | 33,982,022 |
| Recognized as revenue | **(36,067,160)** | (34,142,717) |
| Balance, end of year | **$ 1,379,586** | $ 966,768 |

The deferred contributions are to be spent as follows:

| | **2020** | 2019 |
|---|---|---|
| Mental health programs | **$ 859,280** | $ 446,462 |
| Rent charges | **520,306** | 520,306 |
| | **$ 1,379,586** | $ 966,768 |

## 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:

| | **2020** | 2019 |
|---|---|---|
| Balance, beginning of year | **$ 253,709** | $ 245,691 |
| Contributions received for capital assets | **-** | 54,678 |
| Recognized as revenue | **(49,883)** | (46,660) |
| Balance, end of year | **$ 203,826** | $ 253,709 |

### 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:

| | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | $ 74,850 | $ 95,066 |
| Current service costs | 85,368 | 49,691 |
| Benefit payments | (54,178) | (69,907) |
| Balance, end of year | $ 106,040 | $ 74,850 |

| | 2020 | 2019 |
|---|---|---|
| Current portion included in accounts payable and accrued liabilities | $ 86,776 | $ 52,716 |
| Long term portion | 19,264 | 22,134 |
| Funding status, unfunded | $ 106,040 | $ 74,850 |

### 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 $3,505,237 (2019- $3,747,763) as at March 31, 2020 are included in the investments of $4,871,065 (2019 - $4,724,398) 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:

| | | | **2020** | 2019 |
|---|---|---|---|---|
| | Ministry of Health Homelessness Initiative | Other Funders | **Total** | Total |
| Rent to landlords | $ 6,300,714 | $ 377,914 | **$ 6,678,628** | $ 6,507,035 |
| Maintenance and other expenses | 239,684 | 1,997 | **241,681** | 267,366 |
| Housing accommodation expenses | 6,540,398 | 379,911 | **6,920,309** | 6,774,401 |
| Less: rent supplement | (3,621,628) | (109,517) | **(3,731,145)** | (3,862,522) |
| Less: rental income | (2,895,378) | (211,045) | **(3,106,423)** | (2,982,073) |
| Central LHIN support funding reduction | - | 56,664 | **56,664** | 53,849 |
| Fee for services | - | - | **-** | - |
| Less: investment income | (265) | - | **(265)** | (1,392) |
| Less: Fees for services/donations | (30,000) | (116,013) | **(146,013)** | - |
| Deficiency of revenue over housing accommodation expenses | $ (6,873) | $ - | **$ (6,873)** | $ (17,737) |

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

## 10. Pension plan

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

Contributions to HOOPP made during the year by the Association amounted to $1,191,950 (2019 - $1,003,318) and are included in salaries and benefits in the Statement of revenue and expenses.

The Association also maintains a defined contribution pension plan for its employees. Included in the Statement of revenue and expenses are contributions to the plan by the Association of $150,236 (2019 – $176,104).

### 11. Lease commitments

The Association's office premises and program sites are operated under seven lease agreements which expire over various periods to March 31, 2029. The Association also leases housing units which it sublets to clients, 9 of these annual agreements expire during fiscal 2021. Minimum annual rents under these agreements for the next five fiscal years and thereafter are as follows:

| | |
|---|---|
| 2021 | $ 868,607 |
| 2022 | 726,685 |
| 2023 | 661,771 |
| 2024 | 638,644 |
| 2025 | 502,924 |
| Thereafter | 1,067,802 |
| | $ 4,466,433 |

### 12. Guarantees

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

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

(b) The Association indemnifies all directors and officers for various items including but not limited to all costs to settle suits or actions due to services provided by 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, 2020, 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, 2020, the most significant financial liabilities are accounts payable and accrued liabilities and amounts due to the Ontario Ministry of Health and Long-Term Care/LHINs.

## 14. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects impacting businesses and management continues to monitor the impact COVID-19 has on the Association. The extent of the effect of the Covid-19 pandemic on the Association is uncertain.