

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION WATERLOO
WELLINGTON DUFFERIN
BRANCH**

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Mental Health Association Waterloo Wellington Dufferin Branch

We have audited the accompanying financial statements of Canadian Mental Health Association Waterloo Wellington Dufferin Branch, which comprise the statement of financial position as at March 31, 2015, the statements of operations and 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association Waterloo Wellington Dufferin Branch as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 28, 2015

Waterloo, Canada

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Statement of Financial Position

March 31, 2015, with comparative information for 2014

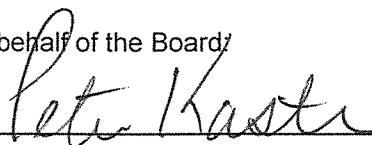
	2015	2014
Assets		
Current assets:		
Cash	\$ 8,534,715	\$ 8,160,276
Marketable securities	34,542	-
Accounts receivable (note 2)	1,028,773	794,791
Prepaid expenses	253,747	192,306
	<u>9,851,777</u>	<u>9,147,373</u>
Capital assets (note 3)	12,177,330	6,119,148
	<u>\$ 22,029,107</u>	<u>\$ 15,266,521</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 7,673,254	\$ 8,139,971
Deferred revenue	751,776	409,691
Current portion of long-term debt (note 5)	60,439	54,920
	<u>8,485,469</u>	<u>8,604,582</u>
Long-term debt (note 5)	203,901	264,340
Leasehold inducement	152,980	-
Deferred capital contributions (note 6)	12,413,069	5,996,250
Net assets:		
Unrestricted	598,688	401,349
Internally restricted (note 13)	175,000	-
	<u>773,688</u>	<u>401,349</u>
Commitments (note 9)		
	<u>\$ 22,029,107</u>	<u>\$ 15,266,521</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Members

 Members

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Statement of Operations and Changes in Net Assets

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

	2015	2014
Revenue:		
Grants:		
Waterloo Wellington LHIN	\$ 19,376,810	\$ 17,447,720
Ministry of Community and Social Services/Ministry of Children and Youth Services	7,969,134	7,265,148
Municipal government	1,862,969	1,859,951
Ministry of Training, Colleges and Universities	854,888	830,752
Ministry of Health and Long-Term Care - Homelessness program and addictions	302,591	259,242
Program revenue	1,765,105	1,688,760
Other income	1,686,011	1,389,665
	<u>33,817,508</u>	<u>30,741,238</u>
Expenses:		
Salaries and benefits	22,155,075	20,539,845
Program expenses	6,570,535	6,127,796
Corporate services and general administration	1,900,459	1,670,095
Building occupancy costs	2,298,280	2,086,105
Other	520,820	386,079
	<u>33,445,169</u>	<u>30,809,920</u>
Excess (deficiency) of revenue over expenses	372,339	(68,682)
Net assets, beginning of year	401,349	470,031
Net assets, end of year	<u>\$ 773,688</u>	<u>\$ 401,349</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Statement of Cash Flows

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

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 372,339	\$ (68,682)
Items not involving cash:		
Amortization of capital assets	511,373	371,607
Amortization of deferred capital contributions	(449,618)	(322,236)
Change in fair value of investments	(34,542)	-
Amortization of lease inducement	(5,275)	-
	<u>394,277</u>	<u>(19,311)</u>
Changes in non-cash operating working capital:		
Accounts receivable	(233,982)	(12,207)
Prepaid expenses	(61,441)	110,613
Accounts payable and accrued liabilities	(466,717)	3,203,901
Deferred revenue	342,085	7,696
	<u>(25,778)</u>	<u>3,290,692</u>
Financing:		
Repayment of long-term debt	(54,920)	(80,592)
Capital contributions	6,866,437	907,087
	<u>6,811,517</u>	<u>826,495</u>
Investing:		
Purchase of capital assets	(6,411,300)	(1,933,266)
Net sale of marketable securities	-	500,000
	<u>(6,411,300)</u>	<u>(1,433,266)</u>
Increase in cash	374,439	2,683,921
Cash, beginning of year	8,160,276	5,476,355
Cash, end of year	<u>\$ 8,534,715</u>	<u>\$ 8,160,276</u>
Cash consists of:		
Cash	\$ 8,534,715	\$ 8,160,276
	<u>\$ 8,534,715</u>	<u>\$ 8,160,276</u>
Non-cash transactions:		
Lease inducement	\$ 158,255	\$ -
	<u>\$ 158,255</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements

Year ended March 31, 2015

Canadian Mental Health Association Waterloo Wellington Dufferin Branch (the "Organization") is a non-profit organization providing mental health and developmental services, community support services and education to members of local communities. The Organization is incorporated without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Any surplus due to unspent government grants is recorded as a payable on the statement of financial position.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

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

Revenue from fees, contracts and services are recognized when the services are provided.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost. Capital assets under construction are not being amortized until the capital asset is complete and is available for use. Amortization is provided using the following method and annual rates:

Asset		Rate
Buildings	Straight-line	25 years
Leasehold improvements	Straight-line	10 - 20 years
Furniture and equipment	Straight-line	3 - 10 years

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

(c) Lease inducement:

Lease incentives, such as tenant inducements and rent-free periods, are deferred and amortized over the related lease term as a reduction to the rent expense.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Employee future benefits:

a) Defined benefit pension plan:

Defined contribution plan accounting is applied to the multi-employer defined benefit Hospitals of Ontario Pension Plan ("HOOPP") for which the Organization does not have the necessary information to apply defined benefit plan accounting. The cost of the multi-employer defined contribution pension plan benefits are the employer's contributions due to the plan in the period.

b) Defined contribution pension plan:

The Organization maintains a defined contribution plan, covering some of the former Canadian Mental Health Association Grand River Branch employees. The cost of the defined contribution pension plan is recognized as an expense for services rendered during the period based on the contributions required to be made during each period.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and accounts payable and accrued liabilities. Actual results could differ from those estimates.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Accounts receivable:

	2015	2014
Trade accounts receivable	\$ 708,447	\$ 394,070
HST receivable	266,525	339,095
Accounts receivable from the Ministry of Health and Long-Term Care	-	60,082
Accounts receivable from the Ministry of Community and Social Services/Ministry of Children and Youth Services	53,801	1,544
	\$ 1,028,773	\$ 794,791

No allowance for impairment of accounts receivable has been recorded at March 31, 2015 (2014 - \$nil).

3. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,675,845	\$ -	\$ 1,675,845	\$ 1,675,845
Buildings	2,873,786	1,504,513	1,369,273	1,479,157
Leasehold improvements	747,175	333,567	413,608	287,497
Furniture and equipment	2,374,669	906,903	1,467,766	1,073,130
Construction in progress	7,250,838	-	7,250,838	1,603,519
	\$ 14,922,313	\$ 2,744,983	\$ 12,177,330	\$ 6,119,148

Amortization for the year amounted to \$511,373 (2014 - \$371,607).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Accounts payable and accrued liabilities:

	2015	2014
Trade accounts payable and accruals	\$ 4,778,964	\$ 4,538,357
Payable to Waterloo Wellington LHIN/Ministry of Health and Long-Term Care	2,479,547	2,876,802
Payable to other funders	21,468	34,757
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	277,997	540,283
Payable to Ministry of Community and Social Services/Ministry of Children and Youth Services	47,997	74,448
Payable to Ministry of Training, Colleges and Universities	18,665	31,908
Homelessness replacement reserve	48,616	43,416
	\$ 7,673,254	\$ 8,139,971

5. Long-term debt:

	2015	2014
Long-term debt, with \$5,645 monthly payments of principal and interest at 3.125% due May 15, 2019	\$ 264,340	\$ 319,260
Less current portion	60,439	54,920
	\$ 203,901	\$ 264,340

The debt is secured by a general security agreement and the land and building at 67 King Street, Kitchener. Interest expense for the year was \$9,447 (2014 - \$14,470).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Long-term debt (continued):

Principal repayments of long-term debt are as follows:

2016	\$	60,439
2017		62,237
2018		64,275
2019		66,284
2020		11,105
	\$	264,340

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized contributions used to purchase capital assets and unspent contributions received to purchase or construct capital assets. The amortization of deferred capital contributions is recorded as other income in the statement of operations.

	2015	2014
Balance, beginning of year	\$ 5,996,250	\$ 5,411,399
Add: amounts received in the year	6,866,437	907,087
Less: amounts amortized to revenue	(449,618)	(322,236)
Balance, end of year	\$ 12,413,069	\$ 5,996,250

7. Operating line of credit:

At March 31, 2015, the Organization had an operating line of credit of \$400,000 at a rate of prime, secured by a general security agreement and a collateral mortgage on 67 King Street, Kitchener. As at March 31, 2015 (2014 - \$nil), the Organization was not utilizing the line of credit.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Public Sector salary disclosure:

The Organization is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and benefits that have been paid by the Organization and reported to the Province of Ontario in compliance with this legislation are listed on the Ontario Ministry of Finance website at <http://www.fin.gov.on.ca/en/publications/salarydisclosure/2014> or can be provided in an alternate format upon request from the Organization.

9. Commitments:

(a) Capital commitments:

The Organization has committed to capital expenditures relating to the construction of a new building at 80 Waterloo Avenue, Guelph. The committed expenditure, as agreed between the Organization and the Contractor, is \$6,418,069. As of March 31, 2015, \$5,438,485 has been incurred and included in capital assets. The expenditures are being funded by the Ministry of Health and Long-Term Care for \$6,138,021 and the remaining portion will be funded by the Organization.

(b) Operating lease commitments:

The Organization rents premises and equipment under long-term operating leases. The minimum lease payments for the next five years are as follows:

2016	\$	835,758
2017		678,511
2018		581,524
2019		502,953
2020		308,085
	\$	2,906,831

(c) Contingencies:

The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2015, management believes the Organization has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Employee future benefits:

a) Defined benefit pension plan:

Substantially all of the employees of the Organization are eligible to be members of HOOPP, which is a multi-employer contributory pension plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Organization accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan as at December 31, 2014 indicated that the plan is fully funded on a solvency basis.

The Organization's contributions made to the HOOPP plan during the year were \$1,405,974 (2014 - \$1,214,024). The amounts are included in salaries and benefits expense in the statement of operations.

b) Defined contribution pension plan:

The Organization's contributions made to the defined contribution plan during the year were \$48,313 (2014 - \$71,253). The amounts are included in salaries and benefits expense in the statement of operations.

11. MOHLTC Supportive Housing Programs:

During the year, the Organization was funded by the Ministry of Health and Long-Term Care Housing for Supportive Housing Programs. The revenue and expenditures for the Homelessness and Addictions funding under the Supportive Housing Programs is as follows:

	Homelessness Program 2015	Addictions Program 2015
Revenue:		
Ministry of Health and Long-Term Care revenue (included in other income)	\$ 246,728	\$ 96,966
Rental subsidy (included in other income)	253,038	113,956
Less payable to the Ministry of Health and Long-Term Care (included as a reduction of other income)	(50,345)	9,243
	449,421	220,165
Expenditures:		
Rental expense (included in building occupancy costs)	428,732	197,734
Repairs and maintenance (included in building occupancy costs)	6,715	804
Utilities (included in building occupancy costs)	13,974	21,627
	\$ -	\$ -

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Financial risks:

The Organization believes that it is not exposed to significant market, credit or cash flow risk arising from its financial instruments.

The Organization's operating line of credit has a variable interest rate. As a result, the Organization is exposed to interest rate risk due to fluctuations in the bank prime rate.

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk or interest rate risk as in the preceding paragraph.

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

13. Internally restricted net assets:

The Board of Directors has internally restricted \$175,000 to fund the cost of the new building as described in note 9 (a).