

Financial Statements of

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

Year ended March 31, 2016



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone (519) 747-8800
Fax (519) 747-8830
Internet www.kpmg.ca

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, 2016, 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, 2016, 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 26, 2016

Waterloo, Canada

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Statement of Financial Position

March 31, 2016, with comparative information for 2015

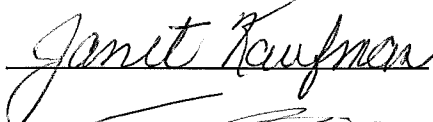

	2016	2015
Assets		
Current assets:		
Cash	\$ 4,650,386	\$ 8,534,715
Marketable securities	37,427	34,542
Accounts receivable (note 2)	1,298,018	1,028,773
Prepaid expenses	342,696	253,747
	<u>6,328,527</u>	<u>9,851,777</u>
Capital assets (note 3)	13,076,045	12,177,330
	<u>\$ 19,404,572</u>	<u>\$ 22,029,107</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 5,224,695	\$ 7,673,254
Deferred revenue	700,220	751,776
Current portion of long-term debt (note 5)	62,328	60,439
	<u>5,987,243</u>	<u>8,485,469</u>
Long-term debt (note 5)	141,573	203,901
Leasehold inducement	137,154	152,980
Deferred capital contributions (note 6)	12,160,312	12,413,069
Net assets:		
Unrestricted	403,612	598,688
Internally restricted (note 11)	-	175,000
Invested in capital assets	574,678	-
	<u>978,290</u>	<u>773,688</u>
Commitments (note 10)		
	<u>\$ 19,404,572</u>	<u>\$ 22,029,107</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Grants:		
Waterloo Wellington LHIN	\$ 22,285,160	\$ 19,376,810
Ministry of Community and Social Services/Ministry of Children and Youth Services	9,084,470	7,969,134
Municipal government	1,901,036	1,862,969
Ministry of Training, Colleges and Universities	829,998	854,888
Ministry of Health and Long-Term Care - Homelessness program and addictions	305,464	302,591
Program revenue	1,729,656	1,765,105
Other income	2,151,946	1,686,011
	<u>38,287,730</u>	<u>33,817,508</u>
Expenses:		
Salaries and benefits	24,481,340	22,155,075
Program expenses	7,917,284	6,570,535
Corporate services and general administration	2,444,419	1,900,459
Building occupancy costs	2,427,187	2,298,280
Other	812,898	520,820
	<u>38,083,128</u>	<u>33,445,169</u>
Excess of revenue over expenses	204,602	372,339
Net assets, beginning of year	773,688	401,349
Net assets, end of year	<u>\$ 978,290</u>	<u>\$ 773,688</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 204,602	\$ 372,339
Items not involving cash:		
Amortization of capital assets	821,427	511,373
Amortization of deferred capital contributions	(805,697)	(449,618)
Change in fair value of marketable securities	(2,885)	(34,542)
Amortization of lease inducement	(15,826)	(5,275)
	201,621	394,277
Changes in non-cash operating working capital:		
Accounts receivable	203,243	(233,982)
Prepaid expenses	(88,949)	(61,441)
Accounts payable and accrued liabilities	(1,549,344)	(921,401)
Deferred revenue	(51,556)	342,085
	(1,284,985)	(480,462)
Financing:		
Repayment of long-term debt	(60,439)	(54,920)
Capital contributions, net of accounts receivable related to capital assets	80,452	6,866,437
	20,013	6,811,517
Investing:		
Purchase of capital assets	(1,720,142)	(6,411,300)
Change in accounts payable and accrued liabilities related to capital assets	(899,215)	454,684
	(2,619,357)	(5,956,616)
Increase (decrease) in cash	(3,884,329)	374,439
Cash, beginning of year	8,534,715	8,160,276
Cash, end of year	\$ 4,650,386	\$ 8,534,715

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements

Year ended March 31, 2016

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, 2016

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, 2016

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, 2016

2. Accounts receivable:

	2016	2015
Trade accounts receivable	\$ 451,499	\$ 708,447
HST receivable	373,306	266,525
Accounts receivable from the Ministry of Community and Social Services/Ministry of Children and Youth Services	725	53,801
Receivable from MOHLTC - capital	472,488	-
	\$ 1,298,018	\$ 1,028,773

No allowance for impairment of accounts receivable has been recorded at March 31, 2016 (2015 - \$nil).

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,675,845	\$ -	\$ 1,675,845	\$ 1,675,845
Buildings	11,222,392	1,780,174	9,442,218	1,369,273
Leasehold improvements	747,175	376,262	370,913	413,608
Furniture and equipment	2,997,044	1,409,975	1,587,069	1,467,766
Construction in progress	-	-	-	7,250,838
	\$ 16,642,456	\$ 3,566,411	\$ 13,076,045	\$ 12,177,330

Amortization for the year amounted to \$821,427 (2015 - \$511,373).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accruals	\$ 3,460,881	\$ 4,766,853
Payable to Waterloo Wellington LHIN/Ministry of Health and Long-Term Care	981,861	2,479,547
Payable to other funders	18,728	21,468
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	572,667	290,108
Payable to Ministry of Community and Social Services/Ministry of Children and Youth Services	138,050	47,997
Payable to Ministry of Training, Colleges and Universities	7,479	18,665
Homelessness replacement reserve (note 7)	45,029	48,616
	\$ 5,224,695	\$ 7,673,254

5. Long-term debt:

	2016	2015
Long-term debt, with \$5,645 monthly payments of principal and interest at 3.125% due May 15, 2019	\$ 203,901	\$ 264,340
Less current portion	62,328	60,439
	\$ 141,573	\$ 203,901

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 \$7,296 (2015 - \$9,447).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Long-term debt (continued):

Principal repayments of long-term debt are as follows:

2017	\$	62,328
2018		64,276
2019		66,284
2020		11,013
	\$	203,901

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.

	2016	2015
Balance, beginning of year	\$ 12,413,069	\$ 5,996,250
Add: amounts received in the year	80,452	6,866,437
Add: amounts receivable	472,488	-
Less: amounts amortized to revenue	(805,697)	(449,618)
Balance, end of year	\$ 12,160,312	\$ 12,413,069

7. Homelessness replacement reserve:

	2016	2015
Balance, beginning of year	\$ 48,616	\$ 43,416
Add: interest	497	-
Add: supportive housing funding	1,800	1,800
Add: one-time funding	-	3,400
Less: disbursements	(5,884)	-
Balance, end of year	\$ 45,029	\$ 48,616

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Operating line of credit:

At March 31, 2016, 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, 2016, \$nil (2015 - \$nil), the Organization was not utilizing the line of credit.

9. 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.ontario.ca/page/public-sector-salary-disclosure> or can be provided in an alternate format upon request from the Organization.

10. Commitments:

(a) 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:

2017	\$	837,445
2018		654,962
2019		569,241
2020		310,479
2021		188,664
	\$	2,560,791

(b) 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, 2016, 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.

Internally restricted net assets:

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Internally restricted net assets:

The Board of Directors has approved the use of the internally restricted net assets of \$175,000 to fund the cost of the new building.

12. 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, 2015 indicated that the plan is fully funded.

The Organization's contributions made to the HOOPP plan during the year were \$1,632,265 (2015 - \$1,405,974). 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 \$33,312 (2015 - \$48,313). The amounts are included in salaries and benefits expense in the statement of operations.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. MOHLTC Supportive Housing Programs:

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

	Homelessness Program 2016	Addictions Program 2016
Revenue:		
Ministry of Health and Long-Term Care revenue (included in other income)	\$ 232,097	\$ 120,425
Rental subsidy (included in other income)	257,179	109,244
Less payable to the Ministry of Health and Long-Term Care (included as a reduction of other income)	(31,099)	(15,959)
	458,177	213,710
Expenditures:		
Rental expense (included in building occupancy costs)	440,332	189,977
Repairs and maintenance (included in building occupancy costs)	747	2,827
Utilities (included in building occupancy costs)	17,087	20,765
Miscellaneous expenses (included in other)	11	141
	\$ -	\$ -

14. 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.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON DUFFERIN BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2016

15. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.