

Financial Statements of

**CANADIAN MENTAL
HEALTH ASSOCIATION
WATERLOO
WELLINGTON BRANCH**

Year ended March 31, 2018



KPMG LLP
115 King Street South
2nd floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the of Canadian Mental Health Association Waterloo Wellington Branch

We have audited the accompanying financial statements of Canadian Mental Health Association Waterloo Wellington Branch, which comprise the balance sheet as at March 31, 2018, 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 private enterprises, 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 is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association Waterloo Wellington Branch as at March 31, 2018 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

Waterloo, Canada

May 31, 2018

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 3,038,138	\$ 3,825,516
Marketable securities	50,190	44,773
Accounts receivable (note 2)	1,505,190	1,513,655
Prepaid expenses	417,949	695,785
	<u>5,011,467</u>	<u>6,079,729</u>
Capital assets (note 3)	11,796,326	12,448,228
	<u>\$ 16,807,793</u>	<u>\$ 18,527,957</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,386,855	\$ 5,416,939
Deferred revenue	342,401	322,424
Current portion of long-term debt (note 5)	66,284	64,276
	<u>4,795,540</u>	<u>5,803,639</u>
Long-term debt (note 5)	11,013	77,297
Leasehold inducement	105,503	121,329
Deferred capital contributions (note 6)	10,943,871	11,548,063
Net assets:		
Unrestricted	282,211	340,367
Invested in capital assets	669,655	637,262
	<u>951,866</u>	<u>977,629</u>
Commitments (note 10)		
	<u>\$ 16,807,793</u>	<u>\$ 18,527,957</u>

See accompanying notes to financial statements.

On behalf of the Board:

Janet Kaufman
Krista Walford

CANADIAN MENTAL HEALTH ASSOCIATION

WATERLOO WELLINGTON BRANCH

Statement of Operations and Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Grants:		
Waterloo Wellington LHIN	\$ 22,991,565	\$ 22,010,223
Ministry of Community and Social Services/Ministry of Children and Youth Services	10,208,153	9,439,811
Municipal government	1,896,757	1,876,218
Ministry of Advanced Education and Skills Development	857,632	856,121
Ministry of Health and Long-Term Care - Homelessness program and addictions	397,958	368,555
Program revenue	1,887,976	1,954,489
Other income	2,619,303	2,389,995
	40,859,344	38,895,412
Expenses:		
Salaries and benefits	26,324,232	25,327,516
Program expenses	8,603,720	8,160,102
Corporate services and general administration	2,697,966	2,137,316
Building occupancy costs	2,374,406	2,334,560
Other	884,783	936,579
	40,885,107	38,896,073
Deficiency of revenue over expenses	(25,763)	(661)
Net assets, beginning of year	977,629	978,290
Net assets, end of year	\$ 951,866	\$ 977,629

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION

WATERLOO WELLINGTON BRANCH

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (25,763)	\$ (661)
Items not involving cash:		
Amortization of capital assets	897,149	946,998
Amortization of deferred capital contributions	(852,116)	(905,209)
Change in fair value of marketable securities	(5,417)	(7,345)
Amortization of lease inducement	(15,826)	(15,825)
	(1,973)	17,958
Changes in non-cash operating working capital:		
Accounts receivable	8,465	(215,637)
Prepaid expenses	277,836	(353,089)
Accounts payable and accrued liabilities	(1,030,085)	192,243
Deferred revenue	19,977	(377,796)
	(725,780)	(736,321)
Financing:		
Repayment of long-term debt	(64,276)	(62,328)
Capital contributions, net of accounts receivable related to capital assets	247,924	292,960
	183,648	230,632
Investing:		
Purchase of capital assets	(245,247)	(319,181)
Decrease in cash	(787,378)	(824,870)
Cash, beginning of year	3,825,516	4,650,386
Cash, end of year	\$ 3,038,138	\$ 3,825,516

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements

Year ended March 31, 2018

Canadian Mental Health Association Waterloo Wellington Branch (the "CMHA") 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 BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Accounts receivable:

	2018	2017
Trade accounts receivable	\$ 633,633	\$ 520,392
HST receivable	304,074	268,275
Accounts receivable from the Ministry of Community and Social Services/Ministry of Children and Youth Services	94,995	250,000
Accounts receivable from Ministry of Health and Long- term Care	-	2,500
Receivable from Ministry of Health and Long-Term Care - capital	472,488	472,488
	\$ 1,505,190	\$ 1,513,655

No allowance for impairment of accounts receivable has been recorded at March 31, 2018 (2017 - \$nil).

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,675,845	\$ -	\$ 1,675,845	\$ 1,675,845
Buildings	11,229,314	2,663,405	8,565,909	9,007,921
Leasehold improvements	747,175	461,651	285,524	328,218
Furniture and equipment	3,554,551	2,285,501	1,269,048	1,358,289
Construction in progress	-	-	-	77,955
	\$ 17,206,885	\$ 5,410,557	\$ 11,796,326	\$ 12,448,228

Amortization for the year amounted to \$897,149 (2017 - \$946,998).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable and accruals	\$ 3,434,702	\$ 3,513,371
Payable to Waterloo Wellington LHIN/Ministry of Health and Long-Term Care	332,928	1,064,799
Accounts payable - other	-	116,918
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	550,559	585,316
Payable to Ministry of Community and Social Services/Ministry of Children and Youth Services	15,839	86,658
Payable to Ministry of Advanced Education and Skills Development	-	1,512
Homelessness replacement reserve (note 7)	52,826	48,365
	\$ 4,386,854	\$ 5,416,939

5. Long-term debt:

	2018	2017
Long-term debt, with \$5,645 monthly payments of principal and interest at 3.125% due May 15, 2019	\$ 77,297	\$ 141,573
Less current portion	(66,284)	(64,276)
	\$ 11,013	\$ 77,297

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 \$3,459 (2017 - \$5,407).

Principal repayments of long-term debt are as follows:

2019	\$ 66,284
2020	11,013
	\$ 77,297

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

	2018	2017
Balance, beginning of year	\$ 11,548,063	\$ 12,160,312
Add: amounts received in the year	247,924	292,960
Less: amounts amortized to revenue	(852,116)	(905,209)
Balance, end of year	\$ 10,943,871	\$ 11,548,063

7. Homelessness replacement reserve:

	2018	2017
Balance, beginning of year	\$ 48,365	\$ 45,029
Add: interest	1,059	720
Add: supportive housing funding	2,002	2,000
Add: additional funding	1,400	2,500
Less: disbursements	-	(1,884)
Balance, end of year	\$ 52,826	\$ 48,365

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Operating line of credit:

At March 31, 2018, 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, 2018 and 2017 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 as follows:

2019	\$	873,681
2020		530,941
2021		288,914
2022		263,017
2023		245,707
Thereafter		674,433
	\$	2,876,693

(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, 2018, 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 BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. 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, 2017 indicated that the plan is fully funded.

The Organization's contributions made to the HOOPP plan during the year were \$1,733,178 (2017 - \$1,713,538). 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 \$23,018 (2017 - \$30,671). The amounts are included in salaries and benefits expense in the statement of operations.

12. Ministry of Health and Long-Term Care 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 2018	Addictions Program 2018
Revenue:		
Ministry of Health and Long-Term Care revenue (included in other income)	\$ 335,397	\$ 128,900
Rental subsidy (included in other income)	292,633	108,528
Less payable to the Ministry of Health and Long-Term Care (included as a reduction of other income)	(60,477)	(5,863)
	567,553	231,565
Expenditures:		
Rental expense (included in building occupancy costs)	539,161	204,146
Repairs and maintenance (included in building occupancy costs)	9,690	9,265
Utilities (included in building occupancy costs)	18,702	18,154
	\$ -	\$ -

CANADIAN MENTAL HEALTH ASSOCIATION

WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. 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.