

Financial Statements of

**CANADIAN MENTAL
HEALTH ASSOCIATION
WATERLOO
WELLINGTON BRANCH**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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 Board of Directors of Canadian Mental Health Association Waterloo Wellington Branch

Opinion

We have audited the financial statements of Canadian Mental Health Association Waterloo Wellington Branch (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statements of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

May 30, 2019

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Statement of Financial Position

March 31, 2019, with comparative information for 2018

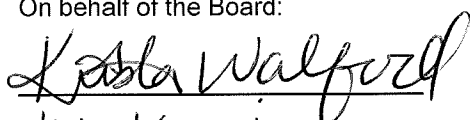

	2019	2018
Assets		
Current assets:		
Cash	\$ 3,934,485	\$ 3,038,138
Marketable securities	50,524	50,190
Accounts receivable (note 2)	1,259,068	1,505,190
Prepaid expenses	382,418	417,949
	<u>5,626,495</u>	<u>5,011,467</u>
Capital assets (note 3)	11,178,421	11,796,326
	<u>\$ 16,804,916</u>	<u>\$ 16,807,793</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,496,585	\$ 4,386,855
Deferred revenue	666,049	342,401
Current portion of long-term debt (note 5)	11,013	66,284
	<u>5,173,647</u>	<u>4,795,540</u>
Long-term debt (note 5)	-	11,013
Leasehold inducement	89,678	105,503
Deferred capital contributions (note 6)	10,381,825	10,943,871
	<u>15,645,150</u>	<u>15,855,927</u>
Net assets:		
Unrestricted	463,861	282,211
Invested in capital assets	695,905	669,655
	<u>1,159,766</u>	<u>951,866</u>
Commitments (note 10)		
	<u>\$ 16,804,916</u>	<u>\$ 16,807,793</u>

See accompanying notes to financial statements.

On behalf of the Board:

CANADIAN MENTAL HEALTH ASSOCIATION

WATERLOO WELLINGTON BRANCH

Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Grants:		
Waterloo Wellington LHIN	\$ 23,627,696	\$ 22,991,565
Ministry of Community and Social Services/Ministry of Children and Youth Services	11,371,312	10,208,153
Municipal government	2,161,188	1,896,757
Ministry of Advanced Education and Skills Development	857,632	857,632
Ministry of Health and Long-Term Care - Homelessness program and addictions	426,463	397,958
Program revenue	1,807,550	1,887,976
Other income	2,371,103	2,619,303
	<u>42,622,944</u>	<u>40,859,344</u>
Expenses:		
Salaries and benefits	26,599,619	26,324,232
Program expenses	10,455,967	8,603,720
Building occupancy costs	2,472,278	2,374,406
Corporate services and general administration	2,031,564	2,697,966
Other	855,616	884,783
	<u>42,415,044</u>	<u>40,885,107</u>
Excess (deficiency) of revenue over expenses	207,900	(25,763)
Net assets, beginning of year	951,866	977,629
Net assets, end of year	<u>\$ 1,159,766</u>	<u>\$ 951,866</u>

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION

WATERLOO WELLINGTON BRANCH

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 207,900	\$ (25,763)
Items not involving cash:		
Amortization of capital assets	869,990	897,149
Amortization of deferred capital contributions	(818,619)	(852,116)
Change in fair value of marketable securities	(334)	(5,417)
Amortization of lease inducement	(15,825)	(15,826)
	243,112	(1,973)
Changes in non-cash operating working capital:		
Accounts receivable	246,122	8,465
Prepaid expenses	35,531	277,836
Accounts payable and accrued liabilities	109,730	(1,030,084)
Deferred revenue	323,648	19,977
	958,143	(725,779)
Financing:		
Repayment of long-term debt	(66,284)	(64,276)
Capital contributions, net of accounts receivable related to capital assets	256,573	247,924
	190,289	183,648
Investing:		
Purchase of capital assets	(252,085)	(245,247)
Increase (decrease) in cash	896,347	(787,378)
Cash, beginning of year	3,038,138	3,825,516
Cash, end of year	\$ 3,934,485	\$ 3,038,138

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements

Year ended March 31, 2019

Canadian Mental Health Association Waterloo Wellington 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 BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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	5 - 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, 2019

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, 2019

2. Accounts receivable:

	2019	2018
Trade accounts receivable	\$ 516,416	\$ 633,633
HST receivable	260,287	304,074
Accounts receivable from the Ministry of Community and Social Services/Ministry of Children and Youth Services	9,877	94,995
Receivable from Ministry of Health and Long-Term Care - capital	472,488	472,488
	\$ 1,259,068	\$ 1,505,190

No allowance for impairment of accounts receivable has been recorded at March 31, 2019 (2018 - \$nil).

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,675,845	\$ -	\$ 1,675,845	\$ 1,675,845
Buildings	11,229,314	3,107,035	8,122,280	8,565,909
Leasehold improvements	813,974	511,026	302,949	285,524
Furniture and equipment	3,727,882	2,662,487	1,065,394	1,269,048
Construction in progress	11,953	-	11,953	-
	\$ 17,458,968	\$ 6,280,548	\$ 11,178,421	\$ 11,796,326

Amortization for the year amounted to \$869,990 (2018 - \$897,149).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Accounts payable and accrued liabilities:

	2019	2018
Trade accounts payable and accruals	\$ 3,340,930	\$ 3,434,703
Payable to Waterloo Wellington LHIN/Ministry of Health and Long-Term Care	448,435	332,928
Government remittances payable (payroll taxes, health taxes and workers' safety insurance)	522,680	550,559
Payable to Ministry of Community and Social Services/Ministry of Children and Youth Services	105,042	15,839
Homelessness replacement reserve (note 7)	79,498	52,826
	\$ 4,496,585	\$ 4,386,855

5. Long-term debt:

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

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 \$1,451 (2018 - \$3,459).

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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.

	2019	2018
Balance, beginning of year	\$ 10,943,871	\$ 11,548,063
Add: amounts received in the year	256,573	247,924
Less: amounts amortized to revenue	(818,619)	(852,116)
Balance, end of year	\$ 10,381,825	\$ 10,943,871

7. Homelessness replacement reserve:

	2019	2018
Balance, beginning of year	\$ 52,826	\$ 48,365
Add: interest	2,672	1,059
Add: supportive housing funding	2,000	2,002
Add: additional funding	22,000	1,400
Balance, end of year	\$ 79,498	\$ 52,826

8. Operating line of credit:

At March 31, 2019, the Organization has 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, 2019 and 2018 the Organization was not utilizing the line of credit.

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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:

2020	\$	814,294
2021		705,064
2022		383,967
2023		334,521
2024		273,724
		<hr/>
		\$ 2,511,570

(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, 2019, 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, 2019

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, 2018 indicated that the plan is fully funded.

The Organization's contributions made to the HOOPP plan during the year were \$1,837,794 (2018 - \$1,733,178). 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 \$15,977 (2018 - \$23,018). 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 are as follows:

	Homelessness Program 2019	Addictions Program 2019
Revenue:		
Ministry of Health and Long-Term Care revenue (included in other income)	\$ 335,400	\$ 128,900
Rental subsidy (included in other income)	293,384	120,637
Less payable to the Ministry of Health and Long-Term Care (included as a reduction of other income)	(45,910)	8,073
	582,874	257,610
Expenditures:		
Rental expense (included in building occupancy costs)	562,510	215,620
Utilities (included in building occupancy costs)	18,236	18,366
Miscellaneous expenses (included in other)	2,128	23,624
	\$ -	\$ -

CANADIAN MENTAL HEALTH ASSOCIATION WATERLOO WELLINGTON BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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.