

**Canadian Mental Health Association,  
Middlesex**

Financial Statements  
**March 31, 2018**



June 12, 2018

## **Independent Auditor's Report**

### **To the Board of Trustees of Canadian Mental Health Association, Middlesex**

We have audited the accompanying financial statements of Canadian Mental Health Association, Middlesex, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

#### **Auditor's 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 the auditor's 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, the auditor considers 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 audits 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, Middlesex as at March 31, 2018 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

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Canadian Mental Health Association, Middlesex

## Statement of Financial Position

As at March 31, 2018

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	2018 \$	2017 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and short-term investments (note 3)	1,164,723	149,072	823,405	2,137,200	728,106
Accounts receivable	769,642	-	-	769,642	776,407
Prepaid expenses and deposits	257,810	-	-	257,810	274,889
Property, buildings and equipment available for sale (note 5)	1,254,794	-	-	1,254,794	-
	3,446,969	149,072	823,405	4,419,446	1,779,402
<b>Investments</b> (note 4)	-	901,509	-	901,509	724,905
<b>Property, buildings and equipment</b> (note 5)	4,455,721	-	-	4,455,721	5,921,154
	7,902,690	1,050,581	823,405	9,776,676	8,425,461
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	1,475,036	-	-	1,475,036	601,047
Accrued salaries and benefits (note 12)	937,400	-	-	937,400	1,000,376
Interfund balances	(134,524)	(93,683)	228,207	-	-
Current portion of long-term debt (note 6)	977,070	-	-	977,070	1,068,872
	3,254,982	(93,683)	228,207	3,389,506	2,670,295
<b>Long-term debt</b> (note 6)	1,382,041	-	-	1,382,041	1,509,693
<b>Deferred contributions</b>					
Expenses of future periods (note 7)	311,778	1,144,264	595,198	2,051,240	1,378,043
Property, buildings and equipment (note 7)	1,915,556	-	-	1,915,556	2,126,195
	6,864,357	1,050,581	823,405	8,738,343	7,684,226
<b>Net assets</b>					
Investment in property, building and equipment (note 8)	1,435,848	-	-	1,435,848	1,216,394
Unrestricted (note 9)	(397,515)	-	-	(397,515)	(475,159)
	1,038,333	-	-	1,038,333	741,235
	7,902,690	1,050,581	823,405	9,776,676	8,425,461
<b>Commitments</b> (note 10)					
<b>On behalf of the Board</b>					

Trustee

Trustee

The accompanying notes are an integral part of these financial statements.

# Canadian Mental Health Association, Middlesex

## Statement of Operations

For the year ended March 31, 2018

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
<b>Revenue</b>					
Grants					
Ministry of Health	17,889,618	-	-	17,889,618	16,892,892
London & Middlesex Housing Corporation	53,739	-	-	53,739	51,059
London Health Sciences Centre	594,099	-	-	594,099	665,255
United Way	513,000	-	-	513,000	478,780
Other	225,478	-	-	225,478	91,260
Rental revenue	1,279,026	-	-	1,279,026	1,291,115
Other revenue	188,568	-	1,851	190,419	742,389
Amortization of deferred contributions related to property, buildings and equipment (note 7)	312,716	-	-	312,716	323,500
Amortization of deferred contributions related to expenses of future periods (note 7)	67,659	-	403,249	470,908	897,897
	21,123,903	-	405,100	21,529,003	21,434,147
<b>Operating and administration expenses</b>					
Salaries	12,328,704	-	-	12,328,704	12,536,326
Employee benefits	2,969,881	-	-	2,969,881	2,941,033
Consulting and recruitment	222,781	-	-	222,781	308,835
Fundraising	-	-	109,000	109,000	40,674
Sessional fees	226,090	-	-	226,090	232,495
Office supplies and interest expense	312,085	-	-	312,085	235,788
Telephone	219,054	-	-	219,054	229,771
Professional fees	133,131	-	-	133,131	49,509
Conference and workshops	95,987	-	-	95,987	121,547
Advertising and promotion	29,208	-	-	29,208	39,293
Program expense and supplies	229,353	-	296,100	525,453	843,074
Meals and meetings	45,308	-	-	45,308	67,303
Travel	257,851	-	-	257,851	245,024
Computer maintenance and supplies	108,173	-	-	108,173	121,139
Rent and security	204,1538	-	-	2,041,538	1,977,232
Insurance and municipal taxes	245,598	-	-	245,598	225,007
Repairs and maintenance	582,231	-	-	582,231	607,554
Heat and hydro	339,561	-	-	339,561	372,646
Mortgage interest	55,838	-	-	55,838	60,828
Amortization of property, buildings and equipment	312,716	-	-	312,716	510,543
Settlements of prior period funding	71,717	-	-	71,717	164,129
	20,826,805	-	405,100	21,231,905	21,929,750
<b>Excess of revenues over expenses (expenses over revenues)</b>	297,098	-	-	297,098	(495,603)

The accompanying notes are an integral part of these financial statements.

# Canadian Mental Health Association, Middlesex

## Statements of Changes in Net Assets

For the year ended March 31, 2018

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	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
<b>Balance - Beginning of year</b>	741,235	-	-	741,235	1,236,838
Excess of revenues over expenses (expenses over revenues)	297,098	-	-	297,098	(495,603)
<b>Balance - End of year</b> (note 9)	<u>1,038,333</u>	-	-	<u>1,038,333</u>	<u>741,235</u>

The accompanying notes are an integral part of these financial statements.

# Canadian Mental Health Association, Middlesex

## Statement of Cash Flows

For the year ended March 31, 2018

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
<b>Operating activities</b>					
Excess of revenues over expenses	297,098	-	-	297,098	(495,603)
Add (deduct) items not affecting cash					
Amortization of property, buildings and equipment	312,716	-	-	312,716	510,543
Amortization of deferred contributions related to property, buildings and equipment (note 7)	(312,716)	-	-	(312,716)	(323,500)
Amortization of deferred contributions related to expenses of future periods (note 7)	(67,659)	-	(403,249)	(470,908)	(897,897)
	229,439	-	(403,249)	(173,810)	(1,206,457)
Changes in non-cash working capital balances					
Accounts receivable	6,765	-	-	6,765	(249,074)
Prepaid expenses and deposits	17,079	-	-	17,079	5,855
Accounts payable and accrued liabilities	873,989	-	-	873,989	245,343
Accrued salaries and benefits	(62,976)	-	-	(62,976)	(527,498)
Interfund balance	(55,560)	(35,720)	91,280	-	-
<b>Cash used in operating activities</b>	1,008,736	(35,720)	(311,969)	661,047	(1,731,831)
<b>Investing activities</b>					
Net increase in investments	-	(176,604)	-	(176,604)	(106,843)
Purchase of property, buildings and equipment	(102,077)	-	-	(102,077)	(112,538)
<b>Cash used in investing activities</b>	(102,077)	(176,604)	-	(278,681)	(219,381)
<b>Financing activities</b>					
Deferred contributions for property, buildings and equipment (note 7)	102,077	-	-	102,077	80,814
Deferred contributions for expenses of future periods (note 7)	102,263	55,945	985,897	1,144,105	797,838
Repayment of long-term debt	(219,454)	-	-	(219,454)	(214,629)
<b>Cash provided by financing activities</b>	(15,114)	55,945	985,897	1,026,728	664,023
<b>Change in cash and short-term investments</b>	891,545	(156,379)	673,928	1,409,094	(1,287,189)
<b>Cash and short-term investments - Beginning of year</b> (note 3)	273,178	305,451	149,477	728,106	2,015,295
<b>Cash and short-term investments - End of year</b> (note 3)	1,164,723	149,072	823,405	2,137,200	728,106

The accompanying notes are an integral part of these financial statements.

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

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### **1 Purpose of Canadian Mental Health Association, Middlesex**

The mission statement of Canadian Mental Health Association, Middlesex (the Organization) is as follows, “We promote mental wellness through responsive and innovative services and empower individuals on their recovery journey.”

The Organization is a registered charity and is classified as a charitable organization under the Income Tax Act.

### **2 Summary of significant accounting policies**

#### **Basis of presentation**

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO) within the framework of the accounting policies summarized below.

#### **Fund accounting**

All financial transactions have been recorded in three funds: Operating Fund, Replacement Reserve Fund, and Donation Fund.

The Operating Fund reflects housing, therapeutic, and administrative activities of the Organization. Funding is provided by the Province of Ontario. Any excess of funds from operations related to Ministry of Health programs may be deducted from the approved budget for subsequent years. Additional funding is provided by the Ministry of Health-Supportive Housing through an interest reduction program on some of the Organization’s long-term debt.

The Replacement Reserve Fund is used for major maintenance of owned rental properties.

The Donation Fund is funded by donations and interest, and used to finance clients’ activities.

#### **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 the subsequent period.

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 period in which the related expenses are recognized. Contributions restricted for the purchase of property, building, and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, buildings and equipment.



# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

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Rental revenue is recognized when services are provided.

### Property, buildings and equipment

Purchased property, buildings and equipment are recorded at cost. Contributed property, buildings and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Property, buildings and equipment are amortized on a straight-line basis using the following annual rates:

Buildings	35 years
Equipment	5 years
Vehicles	7 years
Computer hardware	2 years
Leasehold	Lesser of asset useful life or lease term

Certain restrictions and guidelines exist with respect to land and buildings subsidized by Canada Mortgage and Housing Corporation and the Ontario Ministry of Health. Property, buildings and equipment which are held for sale are recorded at the lower of cost or estimated net realizable value. When property, buildings and equipment meet the criteria to be presented as held for sale, they are no longer amortized.

### Compensated absences

Compensation expense is accrued for all employees as entitlements to these payments are earned, in accordance with the Organization's benefit plans for vacation.

### Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Financial instruments

All financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at amortized cost, except for investments in equity instruments which are measured at cost less any reduction for impairment or fair value if they are quoted in an active market.

It is management's opinion that the Organization is not exposed to significant market risk, foreign currency risk, credit risk or interest rate risk as a result of these financial instruments.

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

### 3 Cash and short-term investments

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	2018 \$	2017 \$
Cash and cash equivalents	1,164,723	47,068	823,405	2,035,196	469,555
Short-term investments	-	102,004	-	102,004	258,551
	<u>1,164,723</u>	<u>149,072</u>	<u>823,405</u>	<u>2,137,200</u>	<u>728,106</u>

### 4 Investments

Investments consist of guaranteed investment certificates (GICs) with stated interest ranging from 2.22% to 2.85% and maturity dates greater than one year. The GICs mature between May 2019 and February 2023. The carrying value of the investments includes \$15,927 (2017 - \$14,974) of accrued interest receivable.

### 5 Property, buildings and equipment

As at March 31, 2018, \$1,254,994 (2017- \$nil) of property, buildings and equipment were separately presented as held for sale.

	<b>2018</b>		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,456,829	-	1,456,829
Buildings	6,340,658	3,779,285	2,561,372
Leaseholds	2,953,565	2,691,899	261,666
Equipment	1,715,186	1,614,359	100,827
Vehicles	451,717	396,122	55,596
Computer hardware	1,485,011	1,465,580	19,431
	<u>14,402,965</u>	<u>9,947,244</u>	<u>4,455,721</u>
	<b>2017</b>		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,786,829	-	1,786,829
Buildings	7,381,175	3,711,129	3,670,046
Leaseholds	2,953,565	2,638,842	314,723
Equipment	1,644,819	1,584,383	60,436
Vehicles	420,008	374,176	45,832
Computer hardware	1,485,011	1,441,723	43,288
	<u>15,671,407</u>	<u>9,750,253</u>	<u>5,921,154</u>

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

### 6 Long-term debt

	2018 \$	2017 \$
<b>Exeter North Housing Program:</b>		
1.040% mortgage, payable in monthly instalments of principal and interest of \$742, due October 2020	61,438	69,661
1.855% mortgage, payable in monthly instalments of principal and interest of \$866, due June 2021	79,454	88,303
<b>Exeter North Housing III Program:</b>		
5.912% mortgage, payable in monthly instalments of principal and interest of \$1,994, due January 2024	191,578	203,978
<b>Piccadilly Street Housing Program:</b>		
9.625% mortgage, payable in monthly instalments of principal and interest of \$391, due January, 2028	29,892	31,679
<b>Other Group Housing Program:</b>		
1.110% mortgage, payable in monthly instalments of principal and interest of \$495, due January 2021	16,551	22,274
<b>Project 3000 Housing Program:</b>		
1.855% mortgage, payable in monthly instalments of principal and interest of \$2,834, due June 2021	169,985	200,592
2.59% mortgage, payable in monthly instalments of principal and interest of \$1,142.57 due January 2023	62,228	74,310
2.040% mortgage, payable in monthly instalments of principal and interest of \$1,640 due April 2022	103,755	121,139
<b>Permanent Housing Program:</b>		
1.820% mortgage, payable in monthly instalments of principal and interest of \$1,674, due September 2019	118,563	136,345
1.040% mortgage, payable in monthly instalments of principal and interest of \$1,721, due October 2020	145,794	164,844
1.855% mortgage, payable in monthly instalments of principal and interest of \$1,474, due May 2024	133,991	149,078
1.010% mortgage, payable in monthly instalments of principal and interest of \$2,103, due February 2021	228,475	251,298
1.920% mortgage, payable in monthly instalments of principal and interest of \$1,970, due April 2019	234,333	253,322
<b>837 Talbot Street:</b>		
Floating rate of Prime + 0.50% mortgage, payable in monthly instalments of principal \$3,126.99 plus interest due February 2019	783,074	811,742
	<u>2,359,111</u>	<u>2,578,565</u>
Less: Current portion	<u>(977,070)</u>	<u>(1,068,872)</u>
	<u>1,382,041</u>	<u>1,509,693</u>

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

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Future principal payments are as follows:

	\$
2019	977,070
2020	475,337
2021	444,727
2022	193,110
2023 and beyond	268,867
	<u>2,359,111</u>

### 7 Deferred contributions

#### a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2018 \$	2017 \$
<b>Balance - Beginning of period</b>	1,378,043	1,478,102
Amount received related to the following period	1,144,105	797,838
	<u>2,522,148</u>	<u>2,275,940</u>
Less: Amount recognized as revenue during the period	470,908	897,897
<b>Balance - End of period</b>	<u>2,051,240</u>	<u>1,378,043</u>

#### b) Property, buildings and equipment

Deferred capital contributions related to property, buildings and equipment represent the unamortized amount and unspent amount of donations and grants received for the purchase of property, buildings and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018 \$	2017 \$
<b>Balance - Beginning of period</b>	2,126,195	2,368,881
Amount received relating to the following period	102,077	80,814
	<u>2,228,272</u>	<u>2,449,695</u>
Less: Amount recognized as revenue during the period	312,716	323,500
<b>Balance - End of period</b>	<u>1,915,556</u>	<u>2,126,195</u>

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

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### 8 Investment in property, buildings and equipment

Investment in property, buildings and equipment is calculated as follows:

	2018 \$	2017 \$
Property, buildings and equipment	4,455,721	5,921,154
Property, buildings and equipment available for sale	1,254,794	-
	<hr/> 5,710,515	<hr/> 5,921,154
Amounts financed by:		
Current portion of long-term debt	(977,070)	(1,068,872)
Long-term debt	(1,382,041)	(1,509,693)
Deferred contributions	(1,915,556)	(2,126,195)
	<hr/> 1,435,848	<hr/> 1,216,394

### 9 Adjustment for settlements of prior period funding

During the year ended March 31, 2018, the Ministry of Health advised that the Organization had received an excess of funding of \$71,717 for the 2017 fiscal year. The statement of operations included the net settlement of \$71,717 in this funding period.

The statements for the year ended March 31, 2018 and other prior periods are subject to review by the Ministry of Health and consequently, a portion of the unrestricted net assets of the Organization may be refundable to the Ministry of Health.

### 10 Commitments

The Organization is committed under operating leases to rent premises and certain of its office equipment. The leases may be cancelled in the event that funding for the program is unavailable. The combined future lease payments are approximately as follows:

	\$
2019	276,000
2020	276,000
2021	138,000
2022	-

# Canadian Mental Health Association, Middlesex

## Notes to Financial Statements

March 31, 2018

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### 11 Pension plan

The majority of full-time employees of the Organization are members of the Healthcare of Ontario Pension Plan. This plan is a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings. Employer contributions made to the plan during the year amounted to \$971,278 (2017 - \$959,950).

The most recent actuarial valuation of the plan at December 31, 2017 indicates it was 130% funded compared to 129% funded at December 31, 2016.

### 12 Government remittances

Included in accrued salaries and benefits are statutory remittances due as follows:

	2018	2017
	\$	\$
EHT	29,034	28,065
EI	26,337	23,144
CPP	61,683	55,842
Total government remittances	<u>117,054</u>	<u>107,051</u>

None of these remittances are in arrears.

### 13 Comparative financial information

Certain prior period financial information has been amended to conform to current year presentation.