

**Canadian Mental Health Association,
Middlesex**

Financial Statements
March 31, 2019



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association, Middlesex (the Organization) as at March 31, 2019 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of operations for the year then ended;
 - the statement of changes in net assets for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 400, London, Ontario, Canada N6A 5P4
T: +1 519 640 8000, F: +1 519 640 8015



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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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

- 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.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
June 10, 2019

Canadian Mental Health Association, Middlesex

Statement of Financial Position

As at March 31, 2019

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	2019 \$	2018 \$
Assets					
Current assets					
Cash and short-term investments (note 3)	1,579,207	160,000	1,229,462	2,968,669	2,137,200
Deposit in transit (note 14)	1,244,745	-	-	1,244,745	-
Accounts receivable	305,505	-	-	305,505	769,642
Prepaid expenses and deposits	302,075	-	-	302,075	257,810
Property, buildings and equipment available for sale (note 5)	-	-	-	-	1,254,794
	3,431,532	160,000	1,229,462	4,820,994	4,419,446
Investments (note 4)	-	869,031	-	869,031	901,509
Property, buildings and equipment (note 5)	4,731,976	-	-	4,731,976	4,455,721
	8,163,508	1,029,031	1,229,462	10,422,001	9,776,676
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	2,256,392	-	-	2,256,392	1,741,951
Accrued salaries and benefits (note 12)	805,476	-	-	805,476	670,485
Interfund balances	(519,461)	(156,343)	675,804	-	-
Current portion of long-term debt (note 6)	1,220,895	-	-	1,220,895	977,070
	3,763,302	(156,343)	675,804	4,282,763	3,389,506
Long-term debt (note 6)	906,443	-	-	906,443	1,382,041
Deferred contributions					
Expenses of future periods (note 7)	292,103	1,185,374	553,658	2,031,135	2,051,240
Property, buildings and equipment (note 7)	1,649,287	-	-	1,649,287	1,915,556
	6,611,135	1,029,031	1,229,462	8,869,628	8,738,343
Net assets					
Investment in property, building and equipment (note 8)	1,700,871	-	-	1,700,871	1,435,848
Unrestricted	(148,498)	-	-	(148,498)	(397,515)
	1,552,373	-	-	1,552,373	1,038,333
	8,163,508	1,029,031	1,229,462	10,422,001	9,776,676

Commitments (note 10)

On behalf of the Board

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, 2019

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2019 \$	Year ended March 31, 2018 \$
Revenue					
Grants					
South-West LHIN	17,679,253	-	-	17,679,253	16,955,569
Ministry of Health	1,464,547	141,789	-	1,606,336	1,528,149
United Way	531,000	-	-	531,000	513,000
City of London	225,616	-	-	225,616	208,572
Other	175,368	-	-	175,368	70,645
Donations	-	-	895,294	895,294	403,249
Rental revenue	1,732,041	-	-	1,732,041	1,279,026
Other revenue	263,906	-	-	263,906	190,418
Amortization of deferred contributions related to property, buildings and equipment (note 7)	593,476	-	-	593,476	312,716
Amortization of deferred contributions related to expenses of future periods (note 7)	39,317	-	122,396	161,713	67,659
	22,704,524	141,789	1,017,690	23,864,003	21,529,003
Operating and administration expenses					
Salaries	13,500,975	-	-	13,500,975	12,078,812
Employee benefits	3,246,639	-	-	3,246,639	2,927,908
Recruiting and development	74,969	-	-	74,969	100,463
Program expense and supplies	650,444	-	927,642	1,578,086	1,148,350
Mileage and vehicle expenses	235,454	-	-	235,454	251,569
Sessional fees	263,228	-	-	263,228	226,089
Fund development expenses	-	-	90,048	90,048	105,492
Office supplies	300,973	-	-	300,973	258,299
Computer maintenance and supplies	69,236	-	-	69,236	107,373
Promotion and communications	41,159	-	-	41,159	26,802
Honorariums, consulting and professional fees	92,943	-	-	92,943	204,151
Phone, internet and cable service	197,609	-	-	197,609	216,799
Insurance	136,058	-	-	136,058	118,691
Rent paid	2,023,115	-	-	2,023,115	2,037,096
Mortgage interest and municipal taxes	198,122	-	-	198,122	169,668
Utilities	305,131	-	-	305,131	327,721
Repairs and maintenance	338,329	141,789	-	480,118	542,189
Amortization of property, buildings and equipment	593,476	-	-	593,476	312,716
Settlements of prior period funding (note 9)	(77,376)	-	-	(77,376)	71,717
	22,190,484	141,789	1,017,690	23,349,963	21,231,905
Excess of revenues over expenses	514,040	-	-	514,040	297,098

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, 2019

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2019 \$	Year ended March 31, 2018 \$
Balance – Beginning of year	1,038,333	-	-	1,038,333	741,235
Excess of revenues over expenses	514,040	-	-	514,040	297,098
Balance – End of year (note 9)	<u>1,552,373</u>	-	-	<u>1,552,373</u>	<u>1,038,333</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, 2019

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	Year ended March 31, 2019 \$	Year ended March 31, 2018 \$
Operating activities					
Excess of revenues over expenses	514,040	-	-	514,040	297,098
Add (deduct) items not affecting cash					
Gain on sale of property, buildings and equipment	(27,475)	-	-	(27,475)	-
Amortization of property, buildings and equipment	593,476	-	-	593,476	312,716
Amortization of deferred contributions related to property, buildings and equipment	(593,476)	-	-	(593,476)	(312,716)
Amortization of deferred contributions related to expenses of future periods	(39,317)	-	(122,396)	(161,713)	(470,908)
	447,248	-	(122,396)	324,852	(173,810)
Changes in non-cash working capital balances					
Accounts receivable	464,137	-	-	464,137	6,765
Prepaid expenses and deposits	(44,265)	-	-	(44,265)	17,079
Accounts payable and accrued liabilities	781,356	-	-	781,356	873,989
Accrued salaries and benefits	(131,924)	-	-	(131,924)	(62,976)
Interfund balance	(384,937)	(62,660)	447,597	-	-
Cash used in operating activities	1,131,615	(62,660)	325,201	1,394,156	661,047
Investing activities					
Net decrease (increase) in investments	-	32,478	-	32,478	(176,604)
Purchase of property, buildings and equipment	(832,207)	-	-	(832,207)	(102,077)
Cash used in investing activities	(832,207)	32,478	-	(799,729)	(278,681)
Financing activities					
Deferred contributions for property, buildings and equipment (note 7)	327,207	-	-	327,207	102,077
Deferred contributions for expenses of future periods (note 7)	19,642	41,110	80,856	141,608	1,144,105
Repayment of long-term debt	(231,773)	-	-	(231,773)	(219,454)
Cash provided by financing activities	115,076	41,110	80,856	237,042	1,026,728
Increase in cash and short-term investments	414,484	10,928	406,057	831,469	1,409,094
Cash and short-term investments – Beginning of year (note 3)	1,164,723	149,072	823,405	2,137,200	728,106
Cash and short-term investments – End of year (note 3)	1,579,207	160,000	1,229,462	2,968,669	2,137,200

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

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

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, 2019

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, 2019

3 Cash and short-term investments

	Operating Fund \$	Replacement Reserve Fund \$	Donation Fund \$	2019 \$	2018 \$
Cash and cash equivalents	1,579,207	-	1,229,462	2,808,669	2,035,196
Short-term investments	-	160,000	-	160,000	102,004
	<u>1,579,207</u>	<u>160,000</u>	<u>1,229,462</u>	<u>2,968,669</u>	<u>2,137,200</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 \$6,982 (2018 – \$15,927) of accrued interest receivable.

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

5 Property, buildings and equipment

As at March 31, 2019, \$nil (2018 – \$1,254,994) of property, buildings and equipment were separately presented as held for sale. The sale of this property closed on March 29, 2019, however the proceeds did not clear until April 2019 (note 14).

	2019		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,556,829	-	1,556,829
Buildings	6,745,657	4,113,102	2,632,555
Leaseholds	2,953,565	2,797,471	156,094
Equipment	1,715,186	1,654,949	60,237
Vehicles	624,963	445,525	179,438
Computer hardware	1,638,972	1,492,149	146,823
	15,235,172	10,503,196	4,731,976
			2018
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land	1,456,829	-	1,456,829
Buildings	6,340,658	3,779,285	2,561,373
Leaseholds	2,953,565	2,691,899	261,666
Equipment	1,715,186	1,614,359	100,827
Vehicles	451,717	396,122	55,595
Computer hardware	1,485,011	1,465,580	19,431
	14,402,966	9,947,245	4,455,721

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

6 Long-term debt

	2019 \$	2018 \$
Exeter North Housing Program:		
1.040% mortgage, payable in monthly instalments of principal and interest of \$742, due October 2020	53,136	61,438
1.855% mortgage, payable in monthly instalments of principal and interest of \$866, due June 2021	70,466	79,454
Exeter North Housing III Program:		
5.912% mortgage, payable in monthly instalments of principal and interest of \$1,994, due January 2024	178,513	191,578
Piccadilly Street Housing Program:		
9.625% mortgage, payable in monthly instalments of principal and interest of \$391, due January, 2028	27,803	29,892
Other Group Housing Program:		
1.110% mortgage, payable in monthly instalments of principal and interest of \$495, due January 2021	10,769	16,551
Project 3000 Housing Program:		
1.855% mortgage, payable in monthly instalments of principal and interest of \$2,834, due June 2021	138,899	169,985
2.59% mortgage, payable in monthly instalments of principal and interest of \$1,142.57 due January 2023	49,995	62,228
2.040% mortgage, payable in monthly instalments of principal and interest of \$1,640 due April 2022	86,049	103,755
Permanent Housing Program:		
1.820% mortgage, payable in monthly instalments of principal and interest of \$1,674, due September 2019	100,492	118,563
1.040% mortgage, payable in monthly instalments of principal and interest of \$1,721, due October 2020	126,558	145,794
1.855% mortgage, payable in monthly instalments of principal and interest of \$1,474, due May 2024	118,667	133,991
1.010% mortgage, payable in monthly instalments of principal and interest of \$2,103, due February 2021	205,455	228,475
1.920% mortgage, payable in monthly instalments of principal and interest of \$1,970, due April 2019	215,016	234,333
837 Talbot Street:		
Floating rate of Prime + 0.50% mortgage, payable in monthly instalments of principal \$3,126.99 (note 14)	745,520	783,074
	<u>2,127,338</u>	<u>2,359,111</u>
Less: Current portion	<u>(1,220,895)</u>	<u>(977,070)</u>
	<u>906,443</u>	<u>1,382,041</u>

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

Future principal payments are as follows:

	\$
2020	1,220,895
2021	444,799
2022	193,202
2023	77,713
2024 and beyond	190,729
	<u>2,127,338</u>

7 Deferred contributions

a) Expenses of future periods

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

	2019 \$	2018 \$
Balance – Beginning of period	2,051,240	1,378,043
Amount received related to the following period	<u>141,608</u>	<u>740,856</u>
	2,192,848	2,118,899
Less: Amount recognized as revenue during the period	<u>161,713</u>	<u>67,659</u>
Balance – End of period	<u>2,031,135</u>	<u>2,051,240</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.

	2019 \$	2018 \$
Balance – Beginning of period	1,915,556	2,126,195
Amount received relating to the following period	<u>327,207</u>	<u>102,077</u>
	2,242,763	2,228,272
Less: Amount recognized as revenue during the period	<u>593,476</u>	<u>312,716</u>
Balance – End of period	<u>1,649,287</u>	<u>1,915,556</u>

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

8 Investment in property, buildings and equipment

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

	2019 \$	2018 \$
Property, buildings and equipment	4,731,976	4,455,721
Property, buildings and equipment available for sale	-	1,254,794
Deposits in transit restricted for mortgage repayment	745,520	-
	<u>5,477,496</u>	<u>5,710,515</u>
Amounts financed by:		
Current portion of long-term debt	(1,220,895)	(977,070)
Long-term debt	(906,443)	(1,382,041)
Deferred contributions	(1,649,287)	(1,915,556)
	<u>1,700,871</u>	<u>1,435,848</u>

9 Adjustment for settlements of prior period funding

During the year ended March 31, 2019, the Ministry of Health advised that the Organization had been underfunded of \$77,376 for the 2017 fiscal year. The statement of operations included the net settlement of \$77,376 in this funding period.

The statements for the year ended March 31, 2019 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:

	\$
2020	271,620
2021	268,120
2022	-
2023	-

Canadian Mental Health Association, Middlesex

Notes to Financial Statements

March 31, 2019

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 \$1,074,251 (2018 – \$971,278).

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:

	2019	2018
	\$	\$
EHT	15,573	29,034
Income Tax Withholdings, EI, CPP	168,029	88,020
Total government remittances	<u>183,602</u>	<u>117,054</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.

14 Subsequent events

Deposits in transit of \$1,244,745 were cleared and deposited into the bank account on April 1, 2019. \$745,520 of these funds were immediately used to repay the remaining mortgage of 837 Talbot Street.