

**CANADIAN MENTAL HEALTH ASSOCIATION
ELGIN BRANCH**

Financial Statements

March 31, 2018

**CANADIAN MENTAL HEALTH ASSOCIATION
ELGIN BRANCH**

Financial Statements

For The Year Ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of **Canadian Mental Health Association, Elgin Branch**:

Report on the Financial Statements

We have audited the accompanying financial statements of **Canadian Mental Health Association, Elgin Branch**, which comprise the balance sheet as at March 31, 2018, and the statements of operations, changes in net assets for the operating and replacement reserve funds, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

(Continued on next page)



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

The organization's tangible capital assets are amortized based on the annual principal payment of the mortgage over these assets. Management has not amortized these assets on the basis of their useful lives, and is also not capitalizing any tangible capital assets that are purchased and not financed by a mortgage, which constitutes a departure from Canadian accounting standards for not-for-profit organizations. It is not possible to quantify the financial effects of these misstatements.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the balance sheet of **Canadian Mental Health Association, Elgin Branch** as at March 31, 2018 and the statements of operations, changes in net assets for the general and replacement reserve funds, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Aylmer, Ontario

May 22, 2018

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH

Balance Sheet

As At March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	504,554	90,391
Accounts receivable (net of allowance of \$31,872; 2017 - \$16,812)	320,973	154,927
HST recoverable	135,096	39,532
Prepaid expenses	23,444	28,965
Due from Elgin Community Mental Health Foundation	<u>-</u>	<u>25,041</u>
	984,067	338,856
REPLACEMENT RESERVE (NOTE 2)	178,540	161,969
TANGIBLE CAPITAL ASSETS (NOTE 4)	<u>1,044,158</u>	<u>1,127,722</u>
TOTAL ASSETS	<u>2,206,765</u>	<u>1,628,547</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,057,686	517,904
Payable on year-end settlements	138,522	58,584
Due to capital reserve fund	75,538	59,827
Current portion of long-term debt (Note 5)	<u>68,231</u>	<u>67,410</u>
	1,339,977	703,725
FORGIVABLE LOAN (NOTE 11)	300,000	300,000
LONG-TERM DEBT (NOTE 5)	<u>586,206</u>	<u>654,451</u>
	<u>2,226,183</u>	<u>1,658,176</u>
<u>FUND BALANCES</u>		
OPERATING FUND (DEFICIT)	(197,958)	(191,598)
REPLACEMENT RESERVE FUND	<u>178,540</u>	<u>161,969</u>
	<u>(19,418)</u>	<u>(29,629)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,206,765</u>	<u>1,628,547</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Statement of Changes in Net Assets
For The Year Ended March 31, 2018

	2018		
	Operating Fund <u>\$</u>	Replacement Reserve Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	(191,598)	161,969	(29,629)
Prior period settlement (Note 9)	<u>(910)</u>	<u>-</u>	<u>(910)</u>
BALANCE, BEGINNING OF YEAR	(192,508)	161,969	(30,539)
Excess (deficiency) from operations for the year	5,961	860	6,821
Transfer from Operating to Replacement Reserve Fund	(11,411)	11,411	-
Advance from the Ministry of Health	<u>-</u>	<u>4,300</u>	<u>4,300</u>
BALANCE, END OF YEAR	<u>(197,958)</u>	<u>178,540</u>	<u>(19,418)</u>

	2017		
	Operating Fund <u>\$</u>	Replacement Reserve Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR	(59,740)	142,017	82,277
Excess (deficiency) from operations for the year	(120,447)	641	(119,806)
Transfer from Operating to Replacement Reserve Fund	(11,411)	11,411	-
Advance from the Ministry of Health	<u>-</u>	<u>7,900</u>	<u>7,900</u>
BALANCE, END OF YEAR	<u>(191,598)</u>	<u>161,969</u>	<u>(29,629)</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Statement of Operations
For The Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
REVENUES		
Ministry of Health and Long-Term Care	4,734,990	4,312,294
Non-profit housing rental	488,043	449,405
Community Homelessness Prevention Initiative	481,649	408,648
Ministry of Health - Housing division	398,391	386,273
Salt Creek Market sales	262,189	263,186
Early Psychosis Accord funding	123,018	123,018
Association fundraising, donations, and other	93,630	99,451
Gain on sale of capital assets	<u>-</u>	<u>117,000</u>
	6,581,910	6,159,275
EXPENDITURES (PAGE 7)	<u>6,496,011</u>	<u>6,227,167</u>
(DEFICIENCY) FROM OPERATIONS BEFORE AMOUNT REPAYABLE TO MINISTRY OF HEALTH	85,899	(67,892)
NET AMOUNTS RECEIVABLE FROM (REPAYABLE TO) MINISTRY OF HEALTH	<u>(79,938)</u>	<u>(52,555)</u>
NET (DEFICIENCY) FROM OPERATIONS FOR THE YEAR	5,961	(120,447)
TRANSFER TO REPLACEMENT RESERVE FUND	<u>11,411</u>	<u>11,411</u>
(DEFICIENCY) FOR THE YEAR AFTER REPLACEMENT RESERVE TRANSFER	<u>(5,450)</u>	<u>(131,858)</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Statement of Cash Flows
For The Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from agencies, rentals, clients and fundraising	6,320,300	6,047,546
Cash paid to suppliers and employees	(5,650,004)	(6,211,025)
Interest paid	<u>(10,539)</u>	<u>(12,643)</u>
Cash flows from (used in) operating activities	<u>659,757</u>	<u>(176,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	(203,211)	(13,170)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>90,000</u>
Cash flows from (used in) investing activities	<u>(203,211)</u>	<u>76,830</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (to) Elgin Community Mental Health Foundation	25,041	(10,989)
Repayment of long-term debt	<u>(67,424)</u>	<u>(65,905)</u>
Cash flows (used in) financing activities	<u>(42,383)</u>	<u>(76,894)</u>
NET INCREASE (DECREASE) IN UNRESTRICTED CASH	414,163	(176,186)
UNRESTRICTED CASH, BEGINNING OF YEAR	<u>90,391</u>	<u>266,577</u>
UNRESTRICTED CASH, END OF YEAR	<u>504,554</u>	<u>90,391</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Schedule of Expenditures
For The Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
EXPENDITURES		
Advertising	8,863	6,652
Amortization	286,774	78,173
Bad debts	13,677	58,891
Bank charges	36,261	36,924
Building and grounds	291,267	130,015
Meetings, education and training	108,139	104,618
Equipment expenses	115,505	116,818
Flow through funds	180,000	-
Insurance	59,972	59,742
Interest on long-term debt	10,539	12,643
Members' travel	14,492	33,804
Miscellaneous	2,235	3,543
Municipal taxes	28,698	23,899
Office and postage	14,444	28,424
Other fees	10,132	7,055
Professional services	130,268	68,721
Program supplies	230,022	214,321
Provincial divisional support	6,000	6,000
Rent	974,687	1,004,394
Salt Creek Market purchases	159,355	156,673
Salaries and benefits	3,506,280	3,741,643
Sessional fees	51,030	51,123
Staff travel	70,825	73,505
Telephone	96,462	109,467
Utilities	<u>90,084</u>	<u>100,119</u>
TOTAL EXPENDITURES	<u>6,496,011</u>	<u>6,227,167</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

NATURE OF THE ORGANIZATION

The Canadian Mental Health Association, Elgin Branch, is a not-for-profit organization that contributes to an integrated mental health system by providing community based mental health services and optimising mental well-being through education, advocacy, research and support services.

The Canadian Mental Health Association, Elgin Branch was incorporated without share capital in the Province of Ontario on February 22, 1988 under the name of Canadian Mental Health Association, Elgin Branch of the City of St. Thomas, in the County of Elgin. The Canadian Mental Health Association, Elgin Branch is a registered charity and as such is exempt from tax under the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with the Housing Services Act and include the following significant accounting policies:

Tangible Capital Assets and Amortization

The land, building, and furniture and fixtures that were purchased with the initial capital funds are recorded at cost. Amortization is recorded on these tangible capital assets in an amount equal to the principal repaid on the corresponding mortgage during the year. Any tangible capital assets purchased in subsequent years are expensed when incurred.

The remaining policies are in accordance with Canadian accounting standards for not-for-profit organizations:

Accounting Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. There were significant accounting estimates used in these financial statements. These significant accounting estimates include the following items:

In particular, the organization uses estimates when accounting for certain items, including:

Allowance for doubtful accounts

Employee compensation plans

Contributed Services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services and donations in kind are not recognized in the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The organization uses fund accounting principles. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The organization uses two fund groups as follows:

Operating Fund

The operating fund accounts for revenues and expenditures relating to program delivery and administration. Unexpended grant revenues are recorded as deferred revenue of the operating fund.

Replacement Reserve Fund

The replacement reserve fund accounts for funds reserved, as required by the Canadian Mortgage and Housing Corporation, for tangible capital expenditures at the Steele Street and Highview Drive locations. The replacement reserve account is funded by an annual charge against operations.

Revenue Recognition

The organization follows the restricted fund method of accounting. Unrestricted contributions are recognized as part of the operating fund and restricted contributions relating to the replacement reserve are recognized in the replacement reserve fund when received.

Specifically, the organization recognizes:

Funding revenues from the Ministry of Health in the time period to which the funds have been allocated

Rental and subsidy revenues at the end of each month as they are earned

Interest, fundraising, donation and other revenues when they are received

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash which is measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable and replacement reserve investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to replacement reserve fund, payable to Ministry of Health and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

2. REPLACEMENT RESERVE	2018	2017
	<u>\$</u>	<u>\$</u>
.83% Cashable GIC, due June 2018	102,654	-
Bank - High Interest Savings Account	348	102,142
Due from Operating Fund	<u>75,538</u>	<u>59,827</u>
	<u>178,540</u>	<u>161,969</u>

3. LINE OF CREDIT

The organization has access to a line of credit that bears interest at a rate of 5.9% and is authorized to a maximum of \$50,000. None of these funds have been drawn on as at year end.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2018	2017
	\$	\$	\$	\$
Land and Buildings				
St. Thomas, Ontario				
8 Elizabeth Street	69,000	69,000	-	-
110 Centre Street	127,500	127,500	-	-
67 Hiawatha Street	155,556	155,556	-	-
25 Metcalfe Street	99,000	99,000	-	-
661 Talbot Street	99,900	99,900	-	-
655-659 Talbot Street (Note 11)	744,976	444,976	300,000	300,000
50-52 Steele Street	623,625	382,090	241,535	271,084
282 Highview Drive	856,686	445,907	410,779	448,654
Salt Creek Market	74,802	17,207	57,595	63,696
Vehicles	<u>253,785</u>	<u>219,536</u>	<u>34,249</u>	<u>44,288</u>
	<u>3,104,830</u>	<u>2,060,672</u>	<u>1,044,158</u>	<u>1,127,722</u>

5. LONG-TERM DEBT

	2018	2017
	\$	\$
1.01% CMHC mortgage (Steele Street), repayable in blended monthly instalments of \$2,661, due February 1, 2020 (secured by land & buildings included in tangible capital assets with a carrying value of \$241,535)	228,080	257,630
1.855% Scotiabank mortgage (Highview), repayable in blended monthly instalments of \$3,836, due June 1, 2021 (secured by land and buildings included in tangible capital assets with a carrying value of \$410,779)	<u>426,357</u>	<u>464,231</u>
	654,437	721,861
Less: current portion	<u>68,231</u>	<u>67,410</u>
	<u>586,206</u>	<u>654,451</u>

The aggregate amount of estimated principal payments required in each of the next four years to meet retirement provisions is as follows:

	\$
2019	68,231
2020	237,521
2021	39,926
2022	<u>308,759</u>
	<u>654,437</u>

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

6. OPERATING LEASE AGREEMENTS

The organization has entered into various operating lease agreements for premises as follows:

	Monthly Rental	Expiry
	<u>\$</u>	<u>Date</u>
51-53 Hiawatha Street, St. Thomas	2,257	June 2021
113 Sydenham Street, Aylmer	2,551	Month to Month
37 Steele Street, St. Thomas	1,900	Month to Month
112 Centre Street, St. Thomas	2,000	January 2020
11143 Highbury Avenue, St. Thomas	1,200	March 2020

The minimum lease payments for premises over the next four fiscal years are as follows:

	<u>\$</u>
2019	71,920
2020	66,920
2021	27,088
2022	6,772

7. ECONOMIC DEPENDENCE

The organization receives the majority of its revenue from one main source, the Ministry of Health and Long-Term Care, and would be unable to operate at the current level without this funding.

8. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt. Management has chosen to absorb this risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable. It is management's opinion that this exposure is not significant.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2018

8. FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The organization is exposed to this risk in relation to its fixed rate investments and long-term debt. It is management's opinion this this exposure is not significant.

It is management's opinion that the entity is not exposed to any significant foreign currency or other price risk.

No financial liabilities of the organization were in default during the period.

The organization is not subject to any covenants.

9. PRIOR PERIOD ADJUSTMENT

During the year, the Ministry of Health completed its review of the annual settlements for the 2016 fiscal year. The net adjustment resulting from this review was a decrease of \$910 to the organization's surplus as at March 31, 2017.

10. DEFINED CONTRIBUTION PENSION PLAN

The organization has a defined contribution pension plan that provides pension benefits to most of its employees. The organization contributes 4.5% of employee gross wages to the plan on behalf of employees, and employees may make additional contributions if they choose. Total cash payments for employee future benefits for 2018 to fund its pension plan were \$113,885 (2017 - \$164,773).

11. FORGIVABLE LOAN

In 2013 the organization renovated the second storey of its building at 657 Talbot Street, St Thomas, Ontario and that resulted in 7 transitional residential units. The cost of the project was \$513,602 and the organization received grants totaling \$213,602. The difference was funded by a forgivable loan from the City of St Thomas in the total amount of \$300,000. The loan is non-interest bearing and will be forgiven in its entirety at the end of 20 years. The net renovation costs and the forgivable loan will remain on the balance sheet until August 2033, and then (assuming all the necessary conditions are met) both the asset and the forgivable loan will be removed from the balance sheet.

12. GUARANTEE

The organization has provided a guarantee and postponement of claim on the mortgages and loans of The Elgin Community Mental Health Foundation in the amount of \$308,555. The actual balance of the mortgage and loans as at year end that the organization has guaranteed is \$279,885.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
SCHEDULE OF OPERATIONS
For The Year Ended March 31, 2018

Schedule 1

	Ministry of Health (MOHLTC)	LHIN	Community Homelessness Prevention Initiative (CHPI)	Salt Creek Market (SCM)	Other	2018 \$	2017 \$
REVENUE							
Funding	626,391	4,637,884	481,649	-	-	5,745,924	5,246,536
Recoveries - in Legal Entity	432,072	7,941	-	4,800	44,613	489,426	449,405
Donations	-	10,281	-	-	13,542	23,823	27,635
Investment Revenue	-	-	-	-	-	-	21
Other Revenue	-	59,990	-	262,189	558	322,737	318,679
Gain on sale of property	-	-	-	-	-	-	117,000
	<u>1,058,463</u>	<u>4,716,096</u>	<u>481,649</u>	<u>266,989</u>	<u>58,713</u>	<u>6,581,910</u>	<u>6,159,276</u>
EXPENSES							
Management, Operational Compensation	-	482,986	-	24,125	-	507,111	646,054
Unit Producing Personnel	50,083	2,949,704	138,734	43,237	-	3,181,758	3,095,588
Medical Personnel	-	51,030	-	-	-	51,030	51,123
Supplies Expense	40,405	49,241	-	168,588	10,103	268,337	291,162
Sundry - Departmental	30,448	749,068	-	14,636	12,742	806,894	783,992
Equipment Expenses	196,606	123,597	-	339	1,955	322,497	122,261
Building and Grounds Expense	691,843	254,958	342,915	20,320	57,651	1,367,687	1,248,396
Education and training	-	2,108	-	-	-	2,108	-
	<u>1,009,385</u>	<u>4,662,692</u>	<u>481,649</u>	<u>271,245</u>	<u>82,451</u>	<u>6,507,422</u>	<u>6,238,576</u>
EXCESS (DEFICIENCY) FROM OPERATIONS	49,078	53,404	-	(4,256)	(23,738)	74,488	(79,300)
NET AMOUNTS RECEIVABLE FROM (REPAYABLE TO) MINISTRY OF HEALTH	<u>(27,288)</u>	<u>(52,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,938)</u>	<u>(52,555)</u>
NET EXCESS (DEFICIENCY) FROM OPERATIONS FOR THE YEAR	<u>21,790</u>	<u>754</u>	<u>-</u>	<u>(4,256)</u>	<u>(23,738)</u>	<u>(5,450)</u>	<u>(131,855)</u>