

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION (NATIONAL)**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Mental Health Association (National)

We have audited the accompanying financial statements of Canadian Mental Health Association (National), which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Basis for Qualified Opinion

In common with many charitable organizations, Canadian Mental Health Association (National) derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Mental Health Association (National). Therefore, we were not able to determine whether as at and for the years ended March 31, 2018 and March 31, 2017, any adjustments might be necessary to donation revenue, excess (deficiency) of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association (National) as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 10, 2018
Vaughan, Canada

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Financial Position

March 31, 2018, with comparative information for 2017


			2018	2017
	General funds	Externally restricted fund	Total	Total
Assets				
Current assets:				
Cash (indebtedness)	\$ (94,058)	\$ 420,631	\$ 326,573	\$ 262,855
Short-term investments (note 2)	25,040	—	25,040	65,889
Receivables (note 7)	484,989	—	484,989	85,104
Publications inventory	55,910	—	55,910	15,082
Prepaid expenses	133,794	—	133,794	24,927
	605,675	420,631	1,026,306	453,857
Investments (note 2)	1,613,962	—	1,613,962	1,257,365
Intangible asset (note 3)	150,000	—	150,000	—
Capital assets (note 4)	59,008	—	59,008	15,274
	\$ 2,428,645	\$ 420,631	\$ 2,849,276	\$ 1,726,496

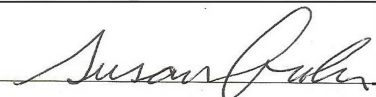
Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (notes 5 and 7)	\$ 569,452	\$ —	\$ 569,452	\$ 181,573
Deferred revenue (note 6)	—	420,631	420,631	136,399
	569,452	420,631	990,083	317,972
Fund balances:				
Operating fund	220,185	—	220,185	493,250
Capital assets fund	209,008	—	209,008	15,274
Internally restricted fund	1,430,000	—	1,430,000	900,000
	1,859,193	—	1,859,193	1,408,524
Commitments (note 9)				
	\$ 2,428,645	\$ 420,631	\$ 2,849,276	\$ 1,726,496

See accompanying notes to financial statements.

On behalf of the Board:


Member


Member

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Operations

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

	2018				2017	
	Operating fund	Externally restricted fund	Capital assets fund	Internally restricted fund	Total	Total
Revenue:						
Support from provincial divisions (note 7)	\$ 218,750	\$ —	\$ —	\$ —	\$ 218,750	\$ 215,267
Corporation sponsorship		267,326	—	—	267,326	280,495
Donations	642,691	—	—	—	642,691	499,550
Bequests	1,243,425	—	—	—	1,243,425	66,665
Publication sales	52,672	—	—	—	52,672	66,469
Investment income	17,457	—	—	—	17,457	84,181
Program sales (note 10)	924,487	52,947	—	—	977,434	—
Charges to pension plan (note 8)	12,000	—	—	—	12,000	12,000
Other	751,648	—	—	—	751,648	525,363
	3,863,130	320,273	—	—	4,183,403	1,749,990
Expenses:						
Salaries and benefits	1,311,539	167,086	—	—	1,478,625	822,311
Public education materials	22,231	44,969	—	—	67,200	114,498
Purchased services (note 7)	1,301,287	73,467	—	—	1,374,754	321,549
National board and committees	76,825	—	—	—	76,825	37,209
Annual conference	384,179	34,751	—	—	418,930	295,203
Postage, telephone and courier	57,013	—	—	—	57,013	11,968
Building occupancy	92,234	—	—	—	92,234	22,069
Equipment leasing and maintenance	9,260	—	—	—	9,260	1,370
Memberships, subscriptions and fees	3,198	—	—	—	3,198	11,668
Bad debts	9,820	—	—	—	9,820	2,479
Office and administration cost	130,772	—	—	—	130,772	103,911
Amortization of capital assets	—	—	14,103	—	14,103	4,280
	3,398,358	320,273	14,103	—	3,732,734	1,748,515
Excess (deficiency) of revenue over expenses	\$ 464,772	\$ —	\$ (14,103)	\$ —	\$ 450,669	\$ 1,475

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Changes in Fund Balances

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

2018	Operating fund	Externally restricted fund	Capital assets fund	Internally restricted fund	Total
Fund balances, beginning of year	\$ 493,250	\$ —	\$ 15,274	\$ 900,000	\$ 1,408,524
Excess (deficiency) of revenue over expenses	464,772	—	(14,103)	—	450,669
In-fund transfer	(530,000)	—	—	530,000	—
Purchase of Intangible asset	(150,000)	—	150,000	—	—
Purchase of capital assets	(57,837)	—	57,837	—	—
Fund balances, end of year	\$ 220,185	\$ —	\$ 209,008	\$ 1,430,000	\$ 1,859,193

2017	Operating fund	Externally restricted fund	Capital assets fund	Internally restricted fund	Total
Fund balances, beginning of year	\$ 746,666	\$ —	\$ 9,790	\$ 650,593	\$ 1,407,049
Excess (deficiency) of revenue over expenses	5,755	—	(4,280)	—	1,475
In-fund transfer	(249,407)	—	—	249,407	—
Purchase of capital assets	(9,764)	—	9,764	—	—
Fund balances, end of year	\$ 493,250	\$ —	\$ 15,274	\$ 900,000	\$ 1,408,524

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Cash Flows

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

			2018	2017
	General funds	Externally restricted fund	Total	Total
Cash flows from operating activities:				
Excess of revenue over expenses	\$ 450,669	\$ —	\$ 450,669	\$ 1,475
Amortization of capital assets	14,103	—	14,103	4,280
Change in non-cash operating working capital:				
Receivables	(399,885)	—	(399,885)	(21,320)
Publications inventory	(40,828)	—	(40,828)	2,003
Prepaid expenses	(108,867)	—	(108,867)	(19,657)
Accounts payable and accrued liabilities	387,879	—	387,879	11,186
Deferred revenue	—	284,232	284,232	(43,064)
Cash flows provided by (used in) operating activities	303,071	284,232	587,303	(65,097)
Cash flows from investing activities:				
Increase in investments	(315,748)	—	(315,748)	(83,267)
Purchase of intangible asset	(150,000)	—	(150,000)	—
Purchase of capital assets	(57,837)	—	(57,837)	(9,764)
Cash flows used in investing activities	(523,585)	—	(523,585)	(93,031)
Increase (decrease) in cash	(220,514)	284,232	63,718	(158,128)
Cash, beginning of year	126,456	136,399	262,855	420,983
Cash (indebtedness), end of year	\$ (94,058)	\$ 420,631	\$ 326,573	\$ 262,855

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements

Year ended March 31, 2018

Canadian Mental Health Association (National) (the "Association") was incorporated under Letters Patent of Canada in 1926 as a registered charity. The Association is a national association that exists to promote mental health of all and support the recovery and resilience of people experiencing mental illness.

Provincial/territorial divisions of the Association were established to deal with the affairs of the Association, which are deemed to be of a provincial or territorial nature. The Association is responsible for the affairs at the national level and works closely with all levels of the Association to achieve its mandate. These financial statements comprise the accounts of Canadian Mental Health Association (National). The results of Canadian Mental Health Association provincial divisions and branches are not included in these financial statements as they are not controlled by the Association.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), using the deferral method of accounting for contributions.

(b) Revenue recognition:

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. Donation revenue is recognized when received, since pledges are not legally enforceable claims. Publication sales are recognized when the related products are delivered to customers. Fee based revenue from Canadian Mental Health Association provincial divisions and branches for use of the Association's national website platform is recognized evenly over the twelve month period, which the provincial divisions and branches utilize the service.

(c) Operating fund:

The operating fund accounts for the Association's program delivery and administrative activities.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Externally restricted fund:

Externally restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are recognized or the specified milestones have been achieved.

(e) Capital assets fund:

All capital assets are reported in the capital assets fund. Amortization expense is reported in this fund.

(f) Internally restricted fund:

In accordance with the Internally Restricted Reserve Policy approved by the board of directors, internally restricted funds consist of a Contingency reserve to be maintained at an amount equal to a minimum of nine months operating expenses of the Association, currently estimated by management to be \$1,330,000 (2017 - \$800,000) and a Strategic Initiative reserve to be maintained in the amount of \$100,000 (2017 - \$100,000).

During the year, the Association transferred \$530,000 from the operating fund to the internally restricted fund in order to bring the internally restricted fund to \$1,430,000 in accordance with the terms of the Internally Restricted Reserve Policy.

Funds in the contingency reserve are held at the discretion of the board of directors and may be utilized only upon approval by the board of directors. Funds held in the strategic initiative reserve are held at the discretion of the board of directors but may be utilized upon approval of the chief executive officer of the Association.

(g) Contributed materials and services:

Contributed materials and services are recognized only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(h) Deferred revenue:

The Association receives certain amounts during the year from corporations and individuals, the proceeds of which may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year that the related expenses are incurred or services performed. In addition, the Association receives amounts from Canadian Mental Health Association provincial divisions and branches for use of the Association's national website platform for the following fiscal year.

(i) Financial instruments:

The Association records each of its financial instruments as follows:

Asset/liability	Measurement
Cash	Fair value
Investments	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

(j) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a declining-balance basis over the estimated lives of the assets using the following annual rates:

Office furniture	20%
Computers and equipment	30%
Leasehold improvement	Term of lease

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(k) Intangible asset:

The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

(l) Impairment of long-lived assets:

Long-lived assets, including capital assets, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds the sum of its estimated undiscounted future cash flows, it is considered impaired. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Association uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(m) Management 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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from such estimates. Accounts requiring estimates and assumptions include the carrying value of intangible asset, amortization expense and accrued liabilities.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Investments:

(a) An analysis of the carrying value of investments is as follows:

2018	Within 1 year	Over 1 year	No specific maturity	Carrying value
Cash and cash equivalents	\$ 25,040	\$ —	\$ —	\$ 25,040
Fixed income	—	942,724	—	942,724
Equities	—	—	671,238	671,238
	\$ 25,040	\$ 942,724	\$ 671,238	\$ 1,639,002

2017	Within 1 year	Over 1 year	No specific maturity	Carrying value
Cash and cash equivalents	\$ 65,889	\$ —	\$ —	\$ 65,889
Fixed income	—	737,576	—	737,576
Equities	—	—	519,789	519,789
	\$ 65,889	\$ 737,576	\$ 519,789	\$ 1,323,254

(b) The cost and fair value of investments are as follows:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 25,040	\$ 25,040	\$ 65,889	\$ 65,889
Fixed income	956,375	942,724	737,509	737,576
Equities	552,135	671,238	383,211	519,789
	\$ 1,533,550	\$ 1,639,002	\$ 1,186,609	\$ 1,323,254

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Intangible asset:

On December 1, 2017, the Association purchased from the Canadian Mental Health Association, B.C Division, all rights in the trademark and logo associated with the Ride Don't Hide fundraising event, for consideration of \$150,000.

On June 30, 2017, the Association received contributed intangible assets in the form of goodwill and client list related to a mental health initiative called, the Not Myself Today. Management has not recorded any amounts related to these contributed intangible assets in the financial statements as the fair value was assessed to be nominal.

On September 1, 2017, the Association received contributed intangible assets in the form of right, intellectual property, and goodwill related to a mental health initiative called, the Peer Support Canada Program. Management has not recorded any amounts related to these contributed intangible assets in the financial statements as the fair value was assessed to be nominal.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ 7,702	\$ 6,921	\$ 781	\$ 976
Computers and equipment	277,156	221,934	55,222	14,298
Leasehold improvements	4,645	1,640	3,005	—
	\$ 289,503	\$ 230,495	\$ 59,008	\$ 15,274

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of \$47,154 (2017 - \$24,222), which relates to payroll remittances.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred revenue:

	2018	2017
Externally Restricted Funds (a)	\$ 420,631	\$ 101,899
Website Platform (b)	–	34,500
	<u>\$ 420,631</u>	<u>\$ 136,399</u>

- (a) Deferred revenue relates to programs and research projects. Each of these projects is defined in its own funding agreement, which provides conditions for grant/contribution and the eligible expenditure budget.

The following summary reports the activity related to each of these deferred revenues:

	Balance, beginning of year	Grants and other income	Disbursements	Balance, end of year
Freddie Ford Fund	\$ 13,309	\$ –	\$ –	\$ 13,309
Other	–	5,000	–	5,000
National Congress	9,751	105,000	34,751	80,000
National Workplace Initiatives	78,839	100,000	132,543	46,296
Ride Don't Hide	–	156,131	–	156,131
Peer Support Program	–	61,250	52,947	8,303
Peer Support Conference	–	111,592	–	111,592
Mental Health Week	–	100,032	100,032	–
	<u>\$ 101,899</u>	<u>\$ 639,005</u>	<u>\$ 320,273</u>	<u>\$ 420,631</u>

In connection with the receipt of contributed intangible assets associated with the Peer Support Canada Program (note 3), the Association also received \$61,250 to fulfill the obligation related to the program during the year.

- (b) The Association offers fee-based access to the Association's national website platform to provincial divisions and branches of CMHA. As at March 31, 2018, funds received in advance relating to this program amounted to nil (2017 - \$34,500).

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Inter-divisional transactions with Ontario Division:

The Canadian Mental Health Association - Ontario Division provides corporate services to the Association in accordance with a Purchase of Service Agreement ("Agreement"). The Association was charged \$88,438 (2017 - \$109,036), included in purchased services, relating to corporate services under the Agreement and other incidental costs and services. In addition, the Association was charged \$27,500 (2017 - \$55,000) relating to internal costs incurred by the Canadian Mental Health Association - Ontario Division for the national website platform management and support (Website Platform).

An amount of \$22,807 (2017 - \$9,292) and nil (2017 - \$55,000) are included in accounts payable and accrued liabilities relating to the Agreement and Website Platform, respectively.

Included in support from provincial divisions is \$93,878 (2017 - \$93,878) relating to annual fees received from the Canadian Mental Health Association - Ontario Division, all of which was paid at year end.

An amount of \$10,771 (2017 - \$3,601) is included in receivables relating to other incidental costs and services.

All inter-divisional transactions and balances between the Association and Canadian Mental Health Association - Ontario Division are recorded at the exchange amount.

8. Pension plan:

After completing 12 months of service, all full-time employees of the Association are offered the option to become members of The Canadian Mental Health Association Pension Plan, which is a multi-employer defined contribution pension plan for the Association's employees across the country. Employer contributions made to the pension plan during the year by the Association amounted to \$44,692 (2017 - \$14,781). These amounts are included in salaries and benefits in the statement of operations.

During the year, the Association charged the pension plan \$12,000 (2017 - \$12,000) for expenses relating to its administration, of which \$2,000 (2017 - \$5,000) was included in receivables as at year end.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Commitments:

The Association rents premises with minimum aggregate annual commitments, exclusive of harmonized sales tax, realty taxes and operating costs, as follows:

2019	\$ 51,894
2020	53,206
2021	45,113
	<hr/>
	\$ 150,213

On February 9, 2017, the Association entered into a sub-lease agreement with Multiple Sclerosis Society of Canada, for a term that commences on February 17, 2017 and expires on January 31, 2031, with an option to renew for one more term expiring on September 29, 2024. On October 16, 2017, the lease was amended to obtain additional office space. The rental payments associated with the new sub-lease agreement have been included above.

10. Program sales:

Program sales relate to revenue generated from the Not Myself Today and Peer Support Canada programs, in the amount of \$911,979 and \$65,455, respectively (note 3).

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Financial risks:

The investments held by the Association are exposed to a variety of financial risks. The Association seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and the diversifying of the investment portfolio within the constraints of the Association's investment policies.

Significant risks that are relevant to the Association's investments are as follows:

(a) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Association. The short-term interest-bearing investments held by the Association have a limited exposure to interest rate risk due to their short-term maturity. The Association has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Association seeks to minimize the adverse effects of this risk by regularly monitoring the performance of investments and diversifying the investment portfolio within the constraints of the Association's investment policies.

(c) Market risk:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market exposes the Association to a risk of loss. The Association mitigates this risk through controls to monitor and limit concentration levels.

(d) Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association's investments include approximately \$167,055 (2017 - \$175,147) in U.S. equities, the value of which fluctuates in part due to changes in foreign exchange rates.