

**CANADIAN MENTAL HEALTH ASSOCIATION
ELGIN BRANCH**

Financial Statements

March 31, 2015

**CANADIAN MENTAL HEALTH ASSOCIATION
ELGIN BRANCH**

Financial Statements

For The Year Ended March 31, 2015

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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, 2015, 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, 2015 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

June 23, 2015

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH

Balance Sheet

As At March 31, 2015

	2015	2014
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	589,183	911,369
Accounts receivable (net of allowance of \$18,523, 2014 - \$14,856)	157,025	143,195
HST recoverable	209,697	119,946
Prepaid expenses	<u>31,422</u>	<u>42,275</u>
	987,327	1,216,785
REPLACEMENT RESERVE (NOTE 2)	129,868	242,601
TANGIBLE CAPITAL ASSETS (NOTE 3)	<u>1,150,518</u>	<u>1,208,044</u>
TOTAL ASSETS	<u>2,267,713</u>	<u>2,667,430</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	715,057	893,420
Payable to Ministry of Health	60,787	77,325
Due to capital reserve fund	29,105	242,601
Current portion of long-term debt (Note 4)	<u>348,800</u>	<u>57,761</u>
	1,153,749	1,271,107
FORGIVABLE LOAN (NOTE 10)	300,000	300,000
LONG-TERM DEBT (NOTE 4)	<u>503,841</u>	<u>852,408</u>
	<u>1,957,590</u>	<u>2,423,515</u>
<u>FUND BALANCES</u>		
OPERATING FUND	180,255	1,314
REPLACEMENT RESERVE FUND	<u>129,868</u>	<u>242,601</u>
	<u>310,123</u>	<u>243,915</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,267,713</u>	<u>2,667,430</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, 2015

	2015		
	Operating Fund <u>\$</u>	Replacement Reserve Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	1,314	242,601	243,915
Prior period settlement (Note 8)	<u>(10,205)</u>	<u>-</u>	<u>(10,205)</u>
BALANCE, BEGINNING OF YEAR, AS RESTATED	(8,891)	242,601	233,710
Excess (deficiency) from operations for the year	200,557	2,085	202,642
Transfer from Operating to Replacement Reserve Fund	(11,411)	11,411	-
Advance from the Ministry of Health	-	10,700	10,700
Replacement expenditures	<u>-</u>	<u>(136,929)</u>	<u>(136,929)</u>
BALANCE, END OF YEAR	<u>180,255</u>	<u>129,868</u>	<u>310,123</u>

	2014		
	Operating Fund <u>\$</u>	Replacement Reserve Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR	(81,423)	219,726	138,303
Excess (deficiency) from operations for the year	94,148	564	94,712
Transfer from Operating to Replacement Reserve Fund	(11,411)	11,411	-
Advance from the Ministry of Health	<u>-</u>	<u>10,900</u>	<u>10,900</u>
BALANCE, END OF YEAR	<u>1,314</u>	<u>242,601</u>	<u>243,915</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Statement of Operations
For The Year Ended March 31, 2015

	2015	2014
	<u>\$</u>	<u>\$</u>
REVENUES		
Ministry of Health and Long-Term Care	4,210,442	4,133,402
Community Homelessness Prevention Initiative	426,442	-
One time funding - Minor Infrastructure Grants	206,900	214,734
One time funding - Transitional Funding	-	678,410
Ministry of Health - Housing division	323,026	301,150
Non-profit housing rental	410,781	402,497
Association fundraising, donations, and other	199,779	196,356
Early Psychosis Accord funding	<u>121,800</u>	<u>121,800</u>
	5,899,170	6,048,349
EXPENDITURES (PAGE 7)	<u>5,696,356</u>	<u>5,983,291</u>
EXCESS FROM OPERATIONS BEFORE AMOUNT REPAYABLE TO MINISTRY OF HEALTH	202,814	65,058
NET AMOUNTS RECEIVABLE FROM (REPAYABLE TO) MINISTRY OF HEALTH	<u>(2,257)</u>	<u>29,090</u>
NET EXCESS (DEFICIENCY) FROM OPERATIONS FOR THE YEAR	200,557	94,148
TRANSFER TO REPLACEMENT RESERVE FUND	<u>11,411</u>	<u>11,411</u>
EXCESS FOR THE YEAR AFTER REPLACEMENT RESERVE TRANSFER	<u>189,146</u>	<u>82,737</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Statement of Cash Flows
For The Year Ended March 31, 2015

	2015	2014
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from agencies, rentals, clients and fundraising	5,795,590	6,048,219
Cash paid to suppliers and employees	(5,938,247)	(5,278,992)
Interest paid	<u>(26,642)</u>	<u>(28,058)</u>
Cash flows from operating activities	<u>(169,299)</u>	<u>741,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	<u>(95,358)</u>	<u>(152,681)</u>
Cash flows (used in) investing activities	<u>(95,358)</u>	<u>(152,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(57,529)	(56,114)
Proceeds from long-term forgivable loan	<u>-</u>	<u>57,000</u>
Cash flows from financing activities	<u>(57,529)</u>	<u>886</u>
NET (DECREASE) INCREASE IN UNRESTRICTED CASH	(322,186)	589,374
UNRESTRICTED CASH, BEGINNING OF YEAR	<u>911,369</u>	<u>321,995</u>
UNRESTRICTED CASH, END OF YEAR	<u>589,183</u>	<u>911,369</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH

**Schedule of Expenditures
For The Year Ended March 31, 2015**

	2015	2014
	<u>\$</u>	<u>\$</u>
EXPENDITURES		
Advertising	10,739	5,245
Amortization	152,884	56,114
Bad debts	18,523	15,390
Bank charges	16,752	10,846
Building and grounds	225,176	214,537
Community meetings and education	60,564	52,076
Data processing and computer expenses	13,707	17,351
Education and training	26,792	58,913
Equipment expenses	42,619	52,328
Flow through funds	180,000	-
Insurance	38,421	37,914
Interest on long-term debt	26,642	28,058
Members' travel	51,963	53,461
Miscellaneous	3,011	826
Municipal taxes	10,540	9,777
Office and postage	15,232	16,114
One time expenditure - Transitional Funding	-	678,410
Other fees	6,732	6,048
Professional services	86,622	154,036
Program supplies	173,359	184,390
Provincial divisional support	6,000	6,000
Rent	790,684	507,701
Salaries and benefits	3,327,565	3,452,797
Sessional fees	160,070	84,846
Staff travel	68,555	92,140
Telephone	91,752	100,727
Utilities	<u>91,452</u>	<u>87,246</u>
TOTAL EXPENDITURES	<u>5,696,356</u>	<u>5,983,291</u>

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Schedule of Housing Rentals
For The Year Ended March 31, 2015

	Homelessness <u>Program</u>	Bricks <u>Program</u>	2015 <u>\$</u>	2014 <u>\$</u>
REVENUES				
Ministry of Health - Housing division	147,866	175,160	323,026	301,150
Non-profit housing rental	278,489	68,594	347,083	331,992
Amounts due on year-end settlements	<u>(6,851)</u>	<u>4,593</u>	<u>(2,258)</u>	<u>29,090</u>
	<u>419,504</u>	<u>248,347</u>	<u>667,851</u>	<u>662,232</u>
EXPENDITURES				
Allocation to replacement reserve	-	11,411	11,411	11,411
Amortization	-	57,526	57,526	56,114
Bad debts	18,523	-	18,523	15,390
Equipment expenses	-	-	-	452
Interest on long-term debt	-	26,642	26,642	28,057
Office and postage	-	-	-	3,580
Rentals	408,064	347	408,411	393,483
Repairs and maintenance	11,440	48,465	59,905	78,158
Insurance	-	-	-	1,475
Wages and benefits	-	28,337	28,337	29,176
Utilities	<u>-</u>	<u>39,951</u>	<u>39,951</u>	<u>41,633</u>
	<u>438,027</u>	<u>212,679</u>	<u>650,706</u>	<u>658,929</u>
	<u>(18,523)</u>	<u>35,668</u>	<u>17,145</u>	<u>3,303</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, 2015

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.

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, 2015

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.

Revenue is recognized when realized and earned. Revenue is considered to be realized and earned when persuasive evidence of an arrangement exists, the receipt amount is fixed or determinable, collection is reasonably assured and performance requirements are met. 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, 2015

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

	2015	2014
	<u>\$</u>	<u>\$</u>
Bank - High Interest Savings Account	100,763	-
Due from Operating Fund	<u>29,105</u>	<u>242,601</u>
	<u>129,868</u>	<u>242,601</u>

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2015

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2015	2014
	\$	\$	\$	\$
Land and Buildings				
St. Thomas, Ontario				
8 Elizabeth Street	69,000	69,000	-	-
35 Metcalfe Street	55,000	55,000	-	-
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 10)	744,976	444,976	300,000	300,000
50-52 Steele Street	623,625	294,550	329,075	354,681
282 Highview Drive	856,686	335,243	521,443	553,363
Vehicles	<u>397,381</u>	<u>397,381</u>	<u>-</u>	<u>-</u>
	<u>3,228,624</u>	<u>2,078,106</u>	<u>1,150,518</u>	<u>1,208,044</u>

4. LONG-TERM DEBT

	2015	2014
	\$	\$
2.75% CMHC mortgage (Steele Street), repayable in blended monthly instalments of \$2,885, due February 1, 2016 (secured by land and buildings included in tangible capital assets with a carrying value of \$329,075)	315,620	341,228
3.391% Scotiabank mortgage (Highview), repayable in blended monthly instalments of \$4,129, due June 1, 2016 (secured by land and buildings included in tangible capital assets with a carrying value of \$521,443)	<u>537,021</u>	<u>568,941</u>
	852,641	910,169
Less: current portion	<u>348,800</u>	<u>57,761</u>
	<u>503,841</u>	<u>852,408</u>

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

	\$
2016	348,800
2017	<u>503,841</u>
	<u>852,641</u>

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2015

5. 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	2,346	September 2018
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	Month to Month

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

	<u>\$</u>
2016	27,088
2017	27,088
2018	27,088
2019	13,544

6. 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.

7. 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, 2015

7. 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.

8. PRIOR PERIOD ADJUSTMENT

During the year, the Ministry of Health completed its review of the annual settlements for the 2013 and 2014 fiscal years. The net adjustment resulting from this review was a decrease of \$13,352 to the organization's surplus as at March 31, 2014.

9. 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 2015, consisting of cash contributed by the organization to fund its pension plan, were \$108,344 (2014 - \$86,099).

10. FORGIVABLE LOAN

In 2013 the organization commenced a project to renovate the second storey of its building at 657 Talbot Street, St Thomas, Ontario. The renovation 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. The total amount advanced on the forgivable loan was \$300,000. The loan is non-interest bearing and will be forgiven in its entirety at the end of 20 years, which will be August 2033. The net renovation costs and the forgivable loan will remain on the balance sheet until August 2033, and then both the asset and the forgivable loan will be removed from the balance sheet, assuming all the necessary conditions are met and the loan is forgiven at that time.

CANADIAN MENTAL HEALTH ASSOCIATION ELGIN BRANCH
Notes to the Financial Statements
For The Year Ended March 31, 2015

11. GUARANTEE

The organization has provided a guarantee and postponement of claim on the mortgage of The Elgin Community Mental Health Foundation in the amount of \$231,000. The actual balance of the mortgage as at year end that the organization has guaranteed is \$231,000.