

Financial Statements of

**CANADIAN MENTAL HEALTH ASSOCIATION  
CALGARY REGION**

Year ended March 31, 2018

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Canadian Mental Health Association – Calgary Region

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

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, Canadian Mental Health Association – Calgary Region derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Canadian Mental Health Association – Calgary Region. Therefore, we, and the predecessor auditors, 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 fund development revenues and excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of changes in net assets and cash flows and current assets and net assets reported in the statements of financial position. This caused the predecessor auditors to qualify their 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 – Calgary Region 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.

**Comparative Information**

The financial statements of Canadian Mental Health Association – Calgary Region as at and for the year ended March 31, 2017 were audited by another auditor who expressed a qualified opinion on those financial statements on June 30, 2017.

Chartered Professional Accountants

■, 2018

Calgary, Canada

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

## Statement of Financial Position

March 31, 2018, with comparative figures for 2017

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash (note 3)   | \$ 275,600          | \$ 670,318          |
| Short-term investments (note 4)                             | 901,178             | 360,456             |
| Accounts receivable   | 136,915             | 29,411              |
| Prepaid expenses  | 65,754              | 81,477              |
|   | <u>1,379,447</u>    | <u>1,141,662</u>    |
| Mortgage receivable (note 5)                                | 1                   | 1                   |
| Long-term investments (note 6)                              | 1,854,586           | 2,358,527           |
| Capital assets (note 7)                                     | 1,351,620           | –                   |
|   | <u>\$ 4,585,654</u> | <u>\$ 3,500,190</u> |
| <b>Liabilities and Net Assets</b>                           |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable and accrued liabilities (note 8)           | \$ 966,850          | \$ 756,657          |
| Deferred revenue (notes 3 and 9)                            | 1,856,417           | 1,267,419           |
| Current portion of obligation under capital lease (note 10) | 7,242               | –                   |
|   | <u>2,830,509</u>    | <u>2,024,076</u>    |
| Non-current liabilities:                                    |                     |                     |
| Obligation under capital lease (note 10)                    | 34,683              | –                   |
| Deferred capital contributions (note 11)                    | 239,790             | –                   |
|   | <u>274,473</u>      | <u>–</u>            |
| Total liabilities   | 3,104,982           | 2,024,076           |
| Net assets  | 1,480,672           | 1,476,114           |
| Commitment (note 12)  |                     |                     |
|   | <u>\$ 4,585,654</u> | <u>\$ 3,500,190</u> |

See accompanying notes to financial statements.

Approved by the Board of Directors:

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Director

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Director

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

## Statement of Operations

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

|                                   | 2018             | 2017             |
|-----------------------------------|------------------|------------------|
| Revenue:                          |                  |                  |
| Alberta Health Services           | \$ 4,015,290     | \$ 4,147,951     |
| Fund development                  | 1,531,319        | 1,044,325        |
| United Way                        | 599,934          | 545,444          |
| City of Calgary                   | 687,787          | 409,151          |
| Other revenue                     | 455,261          | 331,746          |
|                                   | <u>7,289,591</u> | <u>6,478,617</u> |
| Expenses:                         |                  |                  |
| Salaries and benefits             | 5,431,838        | 4,989,130        |
| Building occupancy                | 657,543          | 620,917          |
| Purchased services                | 369,293          | 221,572          |
| Other program expenditures        | 425,419          | 292,579          |
| Program travel and education      | 192,297          | 140,170          |
| Office and administrative         | 80,725           | 116,623          |
| Divisional fees                   | 47,590           | 62,435           |
| Promotion and education materials | 63,933           | 24,598           |
| Recruitment and recognition       | 16,395           | 10,083           |
|                                   | <u>7,285,033</u> | <u>6,478,107</u> |
| Excess of revenue over expenses   | <u>\$ 4,558</u>  | <u>\$ 510</u>    |

See accompany notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

## Statement of Changes in Net Assets

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

|                                 | 2018         | 2017         |
|---------------------------------|--------------|--------------|
| Balance, March 31, 2017         | \$ 1,476,114 | \$ 1,475,604 |
| Excess of revenue over expenses | 4,558        | 510          |
| Balance, March 31, 2018         | \$ 1,480,672 | \$ 1,476,114 |

See accompany notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

## Statement of Cash Flows

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

|  | 2018               | 2017               |
|--|--------------------|--------------------|
| Cash provided by (used in):              |                    |                    |
| Operations:                              |                    |                    |
| Excess of revenue over expenses          | \$ 4,558           | \$ 510             |
| Change in non-cash working capital:      |                    |                    |
| Accounts receivable                      | (107,504)          | 27,209             |
| Prepaid expenses                         | 15,723             | (49,689)           |
| Accounts payable and accrued liabilities | 210,193            | 9,866              |
| Deferred revenue                         | 588,998            | 905,901            |
|  | <u>711,968</u>     | <u>893,797</u>     |
| Investments:                             |                    |                    |
| Redemption of short-term investments     | –                  | 1,982              |
| Acquisition of short-term investments    | –                  | (254,314)          |
| Acquisition of capital assets            | (1,309,113)        | –                  |
| Redemption of long-term investments      | –                  | 283,941            |
| Acquisition of long-term investments     | (36,781)           | (1,559,217)        |
|  | <u>(1,345,894)</u> | <u>(1,527,608)</u> |
| Financing:                               |                    |                    |
| Payment on capital lease obligation      | (582)              | –                  |
| Deferred capital contributions received  | 239,790            | –                  |
|  | <u>239,208</u>     | <u>–</u>           |
| Decrease in cash                         | (394,718)          | (633,811)          |
| Cash, beginning of year                  | 670,318            | 1,304,129          |
| Cash, end of year                        | <u>\$ 275,600</u>  | <u>\$ 670,318</u>  |

See accompany notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements

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

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## 1. Nature of operations:

The Canadian Mental Health Association – Calgary Region (the “Association”) is a leader in reducing the impact of mental disorders and in promoting mental health and wellness through community based services.

The Association, as a registered charity, is exempt from income taxes under Section 149(1)(l) of the Income Tax Act and may issue receipts to donors for tax deductible donations. Accordingly, no provision for income taxes has been made in these financial statements.

## 2. Significant accounting policies:

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (“CPA”) Handbook and include the following significant accounting policies:

### (a) Basis of presentation:

The financial statements reflect the combined operations of all programs of the Association and do not include the assets, liabilities, revenue or expenditures of any affiliated organizations.

### (b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Capital expenditures with a cost over \$5,000 are recorded on the statement of financial position. Contributed capital assets are recorded on the statement of financial position at fair value at the date of contribution, if their value exceeds \$5,000.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as below. Leasehold improvements and photocopiers under capital lease are amortized using the straight-line method over the remaining lease term.



# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

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

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## 2. Significant accounting policies (continued):

### (b) Capital assets (continued):

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|                                  |          |
|----------------------------------|----------|
| Leasehold improvement            | 10 years |
| Office equipment                 | 10 years |
| Photocopiers under capital lease | 5 years  |

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Capital assets acquired during the first half of the fiscal year are depreciated for a full year. Capital assets acquired during the second half of the fiscal year are not depreciated until the following fiscal year.

The Association regularly reviews its capital assets to eliminate obsolete items. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

### (c) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Contributions restricted for the acquisition of capital assets are recognized as revenue in the amounts that match the amortization expense of the related capital assets purchased with the contributions.

Donation revenue is recognized in the current year only when funds have been committed within the year and when collections of funds has been made within 30 days of the year end; otherwise it is recorded in the year in which it is received.

Other revenue, including rental, service fees and investment income, is recognized as revenue in the period in which it is earned.

### (d) Deferred revenue:

Deferred revenue includes unexpended grants, donations and other contributions received prior to the year-end, which have a restriction on the use of the funds. Such restrictions are imposed by the contributor. These will be recorded as revenue in the year the Association complies with the restrictions.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 3

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

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## 2. Significant accounting policies (continued):

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, except for certain non-arm's length transactions that are measured at the exchange amount. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value.

All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry investments in equity instruments that are quoted in an active market at fair value. Changes in fair value, if any, are recognized in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of improvement, not exceeding the initial carrying value.

### (f) Liability for sick, short-term disability and wellness:

The Association tracks and accrues the liability for employee sick time and short-term disability as it is earned. The accrued liability is included in accounts payable and accrued liabilities.

### (g) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include the valuation of accounts receivable and mortgage receivable, recoverability and useful life of capital assets, and amounts recorded for sick, short-term disability and wellness benefits in respect of sick time. Actual results could differ from those estimates.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 4

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

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## 2. Significant accounting policies (continued):

### (h) Contributed services:

Volunteers assist the Association in carrying out certain activities. Due to uncertainty in determining fair value of the service and given that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

## 3. Cash:

Cash includes \$73,801 (2017 - \$71,078) raised from regulated gaming activities. The use of these funds is restricted to certain expenditures approved by regulatory authorities and, accordingly is reported in deferred revenue.

## 4. Short-term investments:

Short-term investments are comprised of funds held in mutual funds comprised of high interest savings accounts, with interest rates approximating at 1.1% per annum.

Included in short-term investments is \$5,200 (2017 - \$5,200) required to be invested in The Bingo Bar Association (“Bingo Bar”) in order to use their services for fundraising. The investment is not structured to generate a return and the carrying value reflects the amount expected to be returned when the Association ceases to use Bingo Barn for fundraising in the future.

## 5. Mortgage receivable:

On August 26, 1998, the Association advanced \$40,000 to Horizon Housing Society to assist in the acquisition of a new group home. The advance is non-interest bearing and, as security, the borrower provided a mortgage on the property. The balance is payable upon demand if certain events occur but the entire balance has been classified as a long-term receivable because the Association does not anticipate that events will occur which will allow it to demand repayment over the next twelve months. The advance was revalued at anticipated net realizable value effective April 1, 2011.

## 6. Long-term investments:

Long-term investments are comprised of Guaranteed Investment Certificates with yields ranging from 1.4% - 2.6% per annum, maturing on various dates between September 2018 and March 2022 with a market value of \$1,854,586 (2017 - \$2,358,527).

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 5

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

## 7. Capital assets:

|                                  | Cost                | Accumulated<br>amortization | 2018<br>Net book<br>value | 2017<br>Net book<br>value |
|----------------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Leasehold improvements           | \$ 1,209,728        | \$ –                        | \$ 1,209,728              | \$ –                      |
| Office equipment                 | 99,385              | –                           | 99,385                    | –                         |
| Photocopiers under capital lease | 42,507              | –                           | 42,507                    | –                         |
|                                  | <b>\$ 1,351,620</b> | <b>\$ –</b>                 | <b>\$ 1,351,620</b>       | <b>\$ –</b>               |

## 8. Government remittances:

Included in accounts payable and accrued liabilities are government remittances of \$60,791 (2017 - \$48,787), which include amounts payable for payroll related taxes.

## 9. Deferred revenue:

Deferred revenue is comprised of the unspent portion of externally restricted operating funds received in the current period from various government and community sources.

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| Balance, beginning of year                | \$ 1,267,419        | \$ 361,518          |
| Contributions received in the year        | 5,612,406           | 6,268,672           |
| Amounts recognized as revenue in the year | (5,023,408)         | (5,362,771)         |
| <b>Balance, end of year</b>               | <b>\$ 1,856,417</b> | <b>\$ 1,267,419</b> |

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 6

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

## 10. Obligation under capital lease:

During the year the Association entered into a lease agreement for several photocopiers. The agreement is repayable in monthly installments of \$820 (2017 - \$nil) and carries an interest rate of 6.72%. The maturity date of the lease agreement is March 1, 2023. The capital lease payable is comprised as follows:

|  | 2018      | 2017 |
|--|-----------|------|
| Current liabilities:                     |           |      |
| Current portion of capital lease payable | \$ 7,242  | \$ – |
| Non-current liabilities:                 |           |      |
| Capital lease payable                    | 34,683    | –    |
|  | \$ 41,925 | \$ – |

The annual scheduled repayment of the capital lease payable is as follows:

|      | Amount    |
|------|-----------|
| 2019 | \$ 7,242  |
| 2020 | 7,744     |
| 2021 | 8,281     |
| 2022 | 8,855     |
| 2023 | 9,803     |
|      | \$ 41,925 |

## 11. Deferred capital contributions:

The Association's contributors and funders have provided the following amounts for acquisition of capital assets. Recognition of these amounts is deferred and amortized into revenues on the same basis as the amortization expense recognized on the capital assets the contributions were used to purchase.

|  | 2018       | 2017 |
|--|------------|------|
| Balance, beginning of year   | \$ –       | \$ – |
| Capital assets purchased with restricted contributions provided by funders | 239,790    | –    |
| Amounts recognized as revenue during the year                              | –          | –    |
| Balance, end of year   | \$ 239,790 | \$ – |

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 7

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

## 12. Commitment:

The Association is committed under leases for office space and rental properties which expire on various dates. The future minimum rental payments, exclusive of occupancy costs, required under the various leases are as follows:

|            | Office<br>Space   | Rental<br>properties | Total               |
|------------|-------------------|----------------------|---------------------|
| 2019       | \$ –              | \$ 299,495           | \$ 299,495          |
| 2020       | –                 | –                    | –                   |
| 2021       | –                 | –                    | –                   |
| 2022       | 11,720            | –                    | 11,720              |
| 2023       | 140,640           | –                    | 140,640             |
| Thereafter | 691,480           | –                    | 691,480             |
|            | <u>\$ 843,840</u> | <u>\$ 299,495</u>    | <u>\$ 1,143,335</u> |

On March 17, 2017, the Association signed a new lease agreement for office space, commencing from March 2018 until February 2028. Minimum rental payments for the first four years of the lease have been waived.

## 13. Financial instruments:

The Association is exposed to the following significant financial risks:

### (a) 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 Association has credit risk with respect to its cash, investments, accounts receivable and mortgage receivable. The Association mitigates its exposure to credit loss by placing its cash and investments with a major financial institution.

Accounts receivable is comprised mainly of amounts receivable from Alberta Health Services and a Goods and Services Tax rebate, therefore credit risk is low. Mortgage receivable has already been revalued to its anticipated net realizable value.

### (b) 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 Association is exposed to interest rate risk to the extent that investments are at fixed rates of interest.

# CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 8

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

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## 13. Financial instruments (continued):

### (c) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association does not believe it is subject to any significant concentration of liquidity risk.

The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

## 14. Additional information:

As required under section 7(2) of the Alberta Charitable Fundraising Regulations, the following amounts are disclosed:

|  | 2018      | 2017      |
|--|-----------|-----------|
| Amounts paid during the year as remuneration to employees whose principal duties include fundraising | \$ 65,647 | \$ 58,077 |
| Direct fundraising expenses for the purpose of soliciting contributions                              | 56,986    | 88,651    |

## 15. Related party transactions:

The Association is an affiliate of the Canadian Mental Health Association - Alberta. During the year the Association paid affiliation fees of \$44,969 (2017 - \$57,742) to Canadian Mental Health Association - Alberta.