

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

June 11, 2018

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of  
Canadian Mental Health Association,  
Manitoba and Winnipeg Inc.:**

We have audited the accompanying financial statements of Canadian Mental Health Association, Manitoba and Winnipeg Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net assets 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.

### *Auditor's 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 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 audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association, Manitoba and Winnipeg Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Scarrow & Donald LLP**

Chartered Professional Accountants  
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**STATEMENT OF FINANCIAL POSITION**

	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 1,516,907	\$ 364,542
Accounts receivable	194,326	71,063
Prepaid expenses	49,890	9,180
	1,761,123	444,785
<b>Capital assets (Note 3)</b>	2,785,803	2,901,847
	\$ 4,546,926	\$ 3,346,632
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 415,314	\$ 330,505
Deferred revenue	456,798	111,700
Current portion of long-term debt (Note 4)	62,956	59,596
	935,068	501,801
<b>Long-term debt (Note 4)</b>	1,757,486	1,820,440
<b>Deferred contributions related to capital assets (Note 5)</b>	549,339	579,298
	3,241,893	2,901,539
<b>NET ASSETS</b>		
<b>Net assets invested in capital assets</b>	416,022	442,513
<b>Restricted net assets (Note 6)</b>	1,097,237	97,237
<b>Unrestricted net assets</b>	(208,226)	(94,657)
	1,305,033	445,093
	\$ 4,546,926	\$ 3,346,632

**APPROVED BY THE BOARD:**

  
 \_\_\_\_\_ **Director**

  
 \_\_\_\_\_ **Director**

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**STATEMENTS OF OPERATIONS**

	<b>Year ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
United Way	\$ 440,550	\$ 390,313
Other grants	27,141	33,985
Winnipeg Regional Health Authority	1,836,162	1,844,137
Province of Manitoba	1,250,457	790,561
General	671,529	639,879
Mental Health - First aid training	16,819	29,477
MBSR fees	71,237	65,820
Donations and fundraising	1,138,645	108,841
Interest	3,696	743
Amortization of deferred contributions related to capital assets	29,959	33,038
	<u>5,486,195</u>	<u>3,936,794</u>
<b>Expenditures:</b>		
Amortization	116,044	124,384
Fundraising expenses	55,432	23,793
Interest on long term debt	101,925	105,108
Meetings and conferences	22,982	12,943
Occupancy	205,949	163,039
Office	165,086	139,023
Project expenses	88,883	84,069
Public education	64,894	50,529
Purchased services	438,392	387,257
Salaries and benefits	3,254,323	2,703,142
Staff recruitment and development	49,523	25,002
Travel	62,822	44,917
	<u>4,626,255</u>	<u>3,863,206</u>
<b>Difference between revenues and expenditures</b>	<u>\$ 859,940</u>	<u>\$ 73,588</u>

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Invested in</b>			<b>Year ended March 31</b>	
	<b><u>capital assets</u></b>	<b><u>Restricted</u></b>	<b><u>Unrestricted</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Net assets, beginning of year	\$ 442,513	\$ 97,237	\$ (94,657)	\$ 445,093	\$ 371,505
Difference between revenue and expenditures	(86,085)	-	946,025	859,940	73,588
Transfer	-	1,000,000	(1,000,000)		
Repayment of long-term debt	<u>59,594</u>	<u>-</u>	<u>(59,594)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 416,022</u>	<u>\$ 1,097,237</u>	<u>\$ (208,226)</u>	<u>\$ 1,305,033</u>	<u>\$ 445,093</u>

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**STATEMENT OF CASH FLOWS**

	<b>Year ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flow from operating activities:</b>		
Cash receipts from funders and others	\$ 5,674,375	\$ 3,958,264
Cash paid to suppliers and employees	(4,466,112)	(3,634,901)
Interest received	3,696	743
	<u>1,211,959</u>	<u>324,106</u>
 <b>Cash flow from financing activities</b>		
Change in long-term debt	<u>(59,594)</u>	<u>(56,413)</u>
 <b>Change in cash</b>	1,152,365	267,693
 <b>Cash, beginning of year</b>	<u>364,542</u>	<u>96,849</u>
 <b>Cash, end of year</b>	<u><u>\$ 1,516,907</u></u>	<u><u>\$ 364,542</u></u>

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MANITOBA AND WINNIPEG INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**1. Purpose of the Association:**

Canadian Mental Health Association, Manitoba and Winnipeg Inc. is organized with the mission that people with mental illness are full participants in society. Canadian Mental Health Association, Manitoba and Winnipeg Inc., is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act.

**2. Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgements-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts 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 reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant accounting policies (continued):

b) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Association may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost

Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Association measures cash, accounts receivable, accounts payable, and long-term debt at amortized cost.

The Association assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

c) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. At the end of each accounting period management considers whether there has been a permanent impairment in the value of capital assets by estimating the net recoverable amount of the unamortized portion. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Purchased capital assets are recorded at cost. Amortization is provided at rates which are expected to amortize the assets over their estimated useful lives as follows:

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Building	4% declining balance

d) Revenue recognition-

Canadian Mental Health Association, Manitoba and Winnipeg Inc. follows the deferral method of accounting for contributions. 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 can be reasonably estimated and collection is reasonably assured. Investment income is recognized as revenue on a time proportioned basis.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

3. Capital assets:

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 197,141	\$ 147,324	\$ 197,141	\$ 134,870
Computer equipment	130,215	124,786	130,215	122,459
Building	3,101,917	671,360	3,101,917	570,097
Land	300,000	-	300,000	-
	<u>\$ 3,729,273</u>	<u>\$ 943,470</u>	<u>\$ 3,729,273</u>	<u>\$ 827,426</u>
Net book value	<u>\$ 2,785,803</u>		<u>\$ 2,901,847</u>	

4. Long-term debt

	March 31	
	2018	2017
Mortgage payable in favour of Caisse populaire de Saint-Boniface With monthly principal and interest payments of \$13,460 (2017 - \$13,460), maturing April 30, 2023, with interest at 5.50% (2017 - 5.50%), secured by a general security agreement, a first ranked multi-purpose mortgage on the building, assignment of rent and leases, and fire insurance	\$ 1,820,442	\$ 1,880,036
Less current portion:	<u>62,956</u>	<u>59,596</u>
	<u>\$ 1,757,486</u>	<u>\$ 1,820,440</u>

Principal payment requirements contractually due on long-term debt within each of the next five years are approximately as follows:

2019	\$ 62,956
2020	66,507
2021	70,259
2022	74,222
2023	78,408
Thereafter	<u>1,405,134</u>
	<u>\$ 1,757,486</u>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**5. Deferred contributions related to capital assets:**

	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 579,298	\$ 612,336
Less: Amortized to revenue	(29,959)	(33,038)
Balance, end of year	\$ 549,339	\$ 579,298

**6. Restricted net assets:**

In 2015, management established two internally restricted funds, one for special projects and a reserve fund as per EL 1.3.1 using excess donations received from various fundraisers. The special project fund is established to address programming priorities. The reserve fund is to be used for unforeseen circumstances not covered through normal revenue streams and upon dissolution to fund severances and pay outstanding obligations. During 2018, the board restricted a \$1,000,000 donation received during the year and transferred that to the reserve fund.

	<b>March 31</b>	
	<b>2018</b>	<b>2017</b>
Special projects fund	\$ 82,237	\$ 82,237
Reserve fund	1,015,000	15,000
	\$ 1,097,237	\$ 97,237

**7. Lease commitments:**

The Association's obligations, over the next five years, under various operating leases for equipment are as follows:

2019	\$	9,219
2020		8,882
2021		8,882
2022		2,620
2023		2,620
	\$	32,223

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**8. Employee benefit plan:**

All employees of the Association are members of the United Way Agencies' Employee Benefits Plan, a multi-employer defined benefits plan, which will provide employee pension benefits based on a calculation of gross basic earnings and contributing services.

The employees and the Association each contribute 7% (2017 - 7%) of their monthly gross basic earnings, up to \$55,300 (2017 - \$54,900) and 8.75% (2017 - 8.75%) of their earnings above \$55,300 (2017 - \$54,900). This plan, to which contributions for the Association during the year totaled \$132,516 (2017 - \$141,324) is accounted for as a defined contribution plan.

**9. Risk management:**

Management's risk management policies are typically performed as a part of the overall management of the Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Association is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Association has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Association, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and government funding. The funds are primarily used to financing working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk. Obtaining long-term debt with fixed interest rates minimizes cash flow risk.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded as at March 31, 2018 (2017 - \$nil)

**10. Indemnification:**

The Association has indemnified its present and future directors, officers and employees against expenses, judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interest of the Association, The nature of the indemnity prevents the Association from reasonably estimated the maximum exposure. The Association has purchased directors' and officers' insurance with respect to this indemnification.

SCHEDULE

CANADIAN MENTAL HEALTH ASSOCIATION  
MANITOBA AND WINNIPEG INC.

	<u>Agency</u>	<u>Rehabilitation Services Program</u>	<u>Parent Wellness Initiative</u>	<u>Portable Housing With Support</u>	<u>Community Housing with Support</u>	<u>Information and Education Support</u>	<u>Divisional Support</u>	<u>Futures Forward</u>	<u>Neighbourhoods Alive</u>	<u>Wellness Skills Support</u>	<u>Bounce Back</u>	<u>Employment with Support</u>	<u>March 31</u>	
													<u>2018</u>	<u>2017</u>
<b>Revenue:</b>														
United Way	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,550	\$ 390,313
Other Grants	-	-	-	-	-	5,574	-	-	-	-	21,567	-	27,141	33,985
Winnipeg Regional Health Authority	-	1,019,853	-	-	650,513	10,296	5,500	-	-	-	150,000	-	1,836,162	1,844,137
Province of Manitoba	-	361,848	200,000	192,500	-	-	192,147	140,044	-	23,918	140,000	-	1,250,457	790,561
General	433,347	-	-	-	38,000	12,035	500	-	-	-	-	187,647	671,529	639,879
Mental Health - First aid training	-	-	-	-	-	16,819	-	-	-	-	-	-	16,819	29,477
MBSR fees	-	-	-	-	-	71,237	-	-	-	-	-	-	71,237	65,820
Donations and fundraising	1,097,105	-	-	-	-	29,201	12,339	-	-	-	-	-	1,138,645	108,841
Interest	3,696	-	-	-	-	-	-	-	-	-	-	-	3,696	743
Authorization of deferred contributions (Note 5)	29,959	-	-	-	-	-	-	-	-	-	-	-	29,959	33,038
	1,564,107	1,381,701	200,000	192,500	688,513	585,712	210,486	140,044	-	23,918	311,567	187,647	5,486,195	3,936,794
<b>Expenditures:</b>														
Amortization	105,040	5,821	823	54	1,801	-	-	41	-	-	1,122	1,342	116,044	124,384
Fundraising expenses	6,899	-	-	372	-	27,634	20,527	-	-	-	-	-	55,432	23,793
Interest on long-term debt	2,886	75,048	10,969	-	2,886	10,136	-	-	-	-	-	-	101,925	105,108
Meetings and conferences	22,847	135	-	-	-	-	-	-	-	-	-	-	22,982	12,943
Occupancy	36,626	82,445	4,493	10,260	29,610	21,828	2,377	1,779	-	862	11,433	4,236	205,949	163,039
Office	19,353	43,334	5,674	5,155	23,349	22,159	13,807	2,038	-	1,020	21,687	7,510	165,086	139,023
Project expenses	2,256	17,929	3,363	2,130	9,718	40,628	1,467	1,728	-	966	713	7,985	88,883	84,069
Public education	5,337	9,208	(30)	470	-	13,272	26,759	-	-	820	9,101	(43)	64,894	50,529
Purchased services	33,590	143,741	12,210	10,298	69,514	49,387	21,680	11,710	-	-	62,052	24,210	438,392	387,257
Salaries and benefits	348,242	960,180	158,583	158,798	529,926	400,434	172,769	154,082	11,184	19,890	201,276	138,959	3,254,323	2,703,142
Staff recruitment and development	4,058	7,468	-	2,264	4,978	4,894	10,503	943	-	-	13,499	916	49,523	25,002
Travel	3,696	14,613	4,628	5,720	18,708	2,497	6,802	1,472	-	360	3,808	518	62,822	44,917
	590,830	1,359,922	200,713	195,521	690,490	592,869	276,691	173,793	11,184	23,918	324,691	185,633	4,626,255	3,863,206
Difference between revenue and expenditures	\$ 973,277	\$ 21,779	\$ (713)	\$ (3,021)	\$ (1,977)	\$ (7,157)	\$ (66,205)	\$ (33,749)	\$ (11,184)	\$ -	\$ (13,124)	\$ 2,014	\$ 859,940	\$ 73,588