

Financial statements of

THE CANADIAN MENTAL HEALTH ASSOCIATION

(operating as The Canadian Mental Health Association (National))

March 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Members of
The Canadian Mental Health Association

Qualified Opinion

We have audited the financial statements of The Canadian Mental Health Association ("the Association"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenue from donations and fundraising activities, 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 the Association. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those financial statements on September 28, 2020 for reasons described in the *Basis for Qualified Opinion* section.

As part of our audit of the 2021 financial statements, we also audited the adjustment described in Note 3 that was applied to amend the 2020 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the 2020 financial statements of the Association other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TORONTO, Ontario
June 30, 2021



Licensed Public Accountants

THE CANADIAN MENTAL HEALTH ASSOCIATION
Statement of Financial Position

As at March 31	2021	2020 (note 3)
Assets		
Current		
Cash	\$ 2,727,667	\$ 601,247
Accounts receivable	381,802	370,661
Prepaid expenses	25,261	-
	3,134,730	971,908
Investments (note 4)	1,016,352	309,133
Capital assets (note 5)	150,000	216,383
	\$ 4,301,082	\$ 1,497,424
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	408,220	457,306
Deferred revenue (note 6)	1,452,144	1,083,938
	1,860,364	1,541,244
Net assets		
Unrestricted	1,960,718	(523,820)
Internally restricted (note 7)	480,000	480,000
	2,440,718	(43,820)
	\$ 4,301,082	\$ 1,497,424

On behalf of the Board:

Karen Hetherington

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Signed by:

Amanda O'Sullivan

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Treasurer

See accompanying notes to financial statements.

THE CANADIAN MENTAL HEALTH ASSOCIATION
Statement of Operations

Year ended March 31	2021	2020 (note 3)
Revenue		
Donations	\$ 3,085,704	\$ 1,145,077
Bequests	1,474,306	698,468
Workplace mental health program subscription and training	1,365,899	1,836,246
Ride Don't Hide registration and donations	495,204	1,135,154
Government of Canada wage subsidy (note 8)	402,483	-
Program grants	274,401	418,065
Division support license fees	215,045	217,080
Federation web platform fees	148,000	140,104
Sponsorships	122,000	284,700
Other	109,947	54,787
Conference	92,567	474,670
Certification fees	49,749	44,620
Revenue sharing (note 10(c))	(1,159,640)	(1,033,594)
	6,675,665	5,415,377
Expenses		
Salaries and benefits	2,720,640	2,747,694
Purchased services	322,240	531,520
Selling	308,789	628,845
Technology	307,718	264,020
Administrative	139,447	266,718
Occupancy	103,485	127,534
Government relations	98,631	-
Other	68,654	112,916
Amortization of capital assets	66,383	93,381
Credit card processing and other service charges	51,604	46,314
Creative and design	33,406	205,615
Media monitoring	31,227	-
Translation	22,569	33,651
Meetings	6,566	117,958
Travel	1,136	117,142
Conference venue	-	401,727
Bad debt (recovery)	(91,368)	228,301
	4,191,127	5,923,336
Excess (deficiency) of revenue over expenses for the year	\$ 2,484,538	\$ (507,959)

See accompanying notes to financial statements.

THE CANADIAN MENTAL HEALTH ASSOCIATION
Statement of Changes in Net Assets

Year ended March 31	Internally restricted			Total 2021	Total 2020 (note 3)
	Unrestricted (note 3)	Contingency reserve (note 7(a))	Other reserves (note 7(b))		
Net assets, beginning of year	\$ (523,820)	\$ 380,000	\$ 100,000	\$ (43,820)	\$ 464,139
Excess of revenue over expenses	2,484,538	-	-	2,484,538	(507,959)
Net assets, end of year	\$ 1,960,718	\$ 380,000	\$ 100,000	\$ 2,440,718	\$ (43,820)

See accompanying notes to financial statements.

THE CANADIAN MENTAL HEALTH ASSOCIATION
Statement of Cash Flows

Year ended March 31	2021	2020 (note 3)
Cash provided (used) by operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ 2,484,538	\$ (507,959)
Items not requiring an outlay of cash:		
Amortization of capital assets	66,383	73,841
Loss on disposal of capital assets	-	19,540
Unrealized gain on investments	(52,178)	4,784
	2,498,743	(409,794)
Changes in non-cash working capital items:		
Accounts receivable	(11,141)	259,932
Publications inventory	-	26,425
Prepaid expenses	(25,261)	13,444
Accounts payable and accrued liabilities	(49,086)	(185,906)
Deferred revenue	368,206	(245,549)
	282,718	(131,654)
Net cash provided (used) by operating activities	2,781,461	(541,448)
Cash provided (used) by investing activities:		
Increase (decrease) in investments (net)	(655,041)	950,000
Increase in cash	2,126,420	408,552
Cash, beginning of year	601,247	192,695
Cash, end of year	\$ 2,727,667	\$ 601,247

See accompanying notes to financial statements.

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

1 Organization

The Canadian Mental Health Association (operating as The 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 and regional branches of the Association were established to deal with the affairs of the Association, which are deemed to be a provincial / territorial or regional nature. The Association is responsible for the affairs at a national level and works closely with all levels of the Association to achieve its mandate. The Association has significant influence over the activities of the provincial / territorial divisions and regional branches. The assets, liabilities and results of operations of the Canadian Mental Health Association provincial divisions and branches are not included in the financial statements as they are not controlled by the Association.

The Association is a registered charity and is exempt from income taxes.

2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

(i) Contributions

The Association follows the deferral method of accounting for contributions.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset.

(ii) Workplace mental health program subscription

Workplace mental health program subscription fees are recognized as revenue in the fiscal year to which they relate. Workplace mental health program subscription fees received in advance of the fiscal year to which they relate are recorded as deferred revenue.

(iii) License and web hosting fees from provincial divisions / branches

License and web hosting fees from provincial divisions / branches are recognized evenly over the fiscal year as the provincial divisions and branches utilize the services throughout the year. The renewal period follows the fiscal year.

(iv) Event revenues

Event revenues including Ride Don't Hide registration and donations, sponsorships and conference revenues are recognized in revenue upon completion of the event.

(v) Other fees

Fees for services are recognized as revenue when the service is rendered.

(vi) Bequests

The Association may be the beneficiary under various wills and trust agreements. The total realizable amounts are not at present readily determinable. The Association recognizes such bequests when the proceeds are received.

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

2 Significant accounting policies (continued)

(b) Cash

Cash includes cash on deposit with a major financial institution and cash on hand. From time to time, the investment portfolio holds cash and cash equivalents as a short-term tactical strategy. Such investments are shown under the investments caption in the non-current assets section of the statement of financial position as they are not used for current operating needs.

(c) Investments

The Association may liquidate these investments upon approval by the Board of Directors to fund special projects and operations. Investments have been presented as non-current as the Association does not intend to liquidate.

(d) Capital assets

The Association records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

When conditions indicate a capital asset no longer contributes to the Association's ability to provide services or changes in circumstances indicate that its carrying amount may not be recoverable, its net carrying amount is written down to its fair value or replacement cost.

As at March 31, 2021, no such impairment exists.

(i) Tangible capital assets

Tangible capital assets consist of computers and equipment and are measured at cost less accumulated amortization. Computers and equipment have been amortized over their estimated useful life on a declining balance basis at a rate of 30%.

(ii) Intangible assets with finite useful life

Intangible assets with a finite useful life consist of the Association's website and are measured at cost less accumulated amortization. The website has been amortized over its estimated useful life of 3 years on a straight-line basis.

(iii) Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives consist of purchased trademarks and logos. Trademarks and logos are measured at cost.

(e) Contributed goods and services

Contributed materials and services are recognized only when a fair value can be reasonably estimated and when the material and services are used in the normal course of the Association's operations and would otherwise have been purchased. Due to difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

(f) Financial instruments

(i) Measurement

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value.

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

2 Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Impairment

When there is an indication of impairment or such an impairment is determined to have occurred, the carrying amount of financial assets is reduced by the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of that asset. If the circumstances that led to the Association recording an impairment improve and management determines that all or a portion of the impairment can be recovered, the impairment is reversed up to the amount that the financial asset would have otherwise been recorded at on the reversal date. There are no indications of impairment as at March 31, 2021.

(g) Management estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the current period. Significant estimates include the impairment of accounts receivable, useful lives and impairment of intangible and capital assets and allocated program expenses funded by program grants.

Actual results could differ from those estimates, the impact of which would be recorded in future periods. All estimates are reviewed periodically and adjustments are made to the statement of operations in the year they become known.

3 Correction of error in prior year

The Association provides workplace mental health resources through a subscription fee. The annual subscription fee include access to online resources and a resource kit. The Association previously recognized revenue upon delivery of the resource kit and did not record deferred revenue for the portion of subscription fees for future periods.

The March 31, 2020 financial statements have been restated to correct this error as follows: a deferred revenue liability was recorded in the amount of \$703,374 on the statement of financial position; unrestricted net asset balance was reduced by \$703,374; Workplace mental health program subscription and training revenue in the statement of operations increased \$44,428, resulting in a decrease in the deficiency of revenue over expense to \$507,959 from \$552,387 previously reported. The opening balance of net assets at April 1, 2019 was reduced by \$747,802 in the statement of changes in net asset.

4 Investments

As at March 31	2021	2020
Cash and cash equivalents	\$ 20,319	\$ 9,338
Fixed income	544,649	186,994
Canadian equities	304,191	79,791
U.S. equities	147,193	33,010
Investments, carrying value	\$ 1,016,352	\$ 309,133
Investments, at cost	\$ 959,529	\$ 304,056

The fixed income investments are have yield rates ranging from 1.60% to 2.92% (2020 - 2.01% to 2.97%).

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

5 Capital assets

As at March 31	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computers and equipment	\$ 168,518	\$ 168,518	\$ 168,518	\$ 157,242
Website	165,320	165,320	165,320	110,213
Ride Don't Hide trademark and logo	150,000	-	150,000	-
	\$ 483,838	\$ 333,838	\$ 483,838	\$ 267,455
Net book value		\$ 150,000		\$ 216,383

6 Deferred revenue

As at March 31	2021		2020	
Externally restricted contributions		\$ 810,656		\$ 237,646
Workplace mental health program subscription		615,168		703,374
Conference and Ride Don't Hide		26,320		142,918
		\$ 1,452,144		\$ 1,083,938

The activity in deferred revenue is as follows:

	Opening	Additions (refunds)	Revenue	Deferred
Externally restricted contributions				
Bounceback	\$ -	\$ 1,050,000	\$ (473,406)	\$ 576,594
Canopy growth	28,000	-	-	28,000
Freddie Ford Fund	13,309	-	-	13,309
MHCC recovery	21,500	-	(6,250)	15,250
RBC Headstrong	169,837	1,342	(58,714)	112,465
Suicide prevention	-	167,475	(107,437)	60,038
Other	5,000	-	-	5,000
	237,646	1,218,817	(645,807)	810,656
Workplace mental health program subscription	703,374	1,323,260	(1,411,466)	615,168
Ride Don't Hide	83,999	26,320	(83,999)	26,320
Sponsorships	58,919	(33,919)	(25,000)	-
	\$ 1,083,938	\$ 2,534,478	\$ (2,166,272)	\$ 1,452,144

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

6 Deferred revenue (continued)

Revenue has been recognized on the statement of operations as follows:

Year ended March 31,	2021
Workplace mental health program subscription and training	\$ 1,411,466
Donations	473,406
Program grants	172,401
Ride Don't Hide registration and donations	83,999
Sponsorships	25,000
	\$ 2,166,272

7 Internally restricted net assets

The Board of Directors of the Association has internally restricted funds to be used for specific purposes.

	Beginning of year	Transfers	End of year
Contingency reserve	\$ 380,000	\$ -	\$ 380,000
Strategic initiative reserve	100,000	-	100,000
	480,000	-	480,000

(a) Contingency reserve

In accordance with the Internally Restricted Reserve Policy approved by the Board of Directors, a contingency reserve is to be maintained at an amount equal to a minimum of nine months operating expenses of the Association, currently estimated by management to be \$3,000,000 (2020 - \$4,400,000).

Given the negative unrestricted net assets balance, the required increase in the contingency reserve balance was not able to be made.

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.

(b) Strategic initiative reserve

A strategic initiative reserve to be maintained in the amount of \$100,000 (2020 - \$100,000).

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.

8 Canada Emergency Wage Subsidy / Temporary Wage Subsidy

In response to the negative economic impact of the COVID-19 pandemic, various government programs have been enacted to provide financial relief to businesses.

The Association has received government assistance during the year in the form of the Canada Emergency Wage Subsidy (CEWS) program and the Temporary Wage Subsidy (TWS) program under Canada's COVID-19 Economic Response Plan.

The subsidies received are subject to review by the Canada Revenue Agency.

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

9 Pension plan

All full-time employees of the Association are offered the option to become members of The Canadian Mental Health Association Pension Plan ("the Plan"), which is a multi-employer defined contribution pension plan for the Association's employees across the country, after completing twelve months of service. Employer contributions made to the pension plan during the year by the Association total \$105,526 (2020 - \$67,611).

10 Provincial / territorial divisions and regional branches transactions and balances

Transactions with the provincial / territorial divisions and regional branches are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration agreed to by both parties.

(a) Accounts receivable

Included in accounts receivable is \$52,234 (2020 - \$171,193) receivable from provincial / territorial divisions and regional branches.

(b) Revenue

Included in revenues of the Association are the following amounts from provincial / territorial divisions and regional branches:

Year ended March 31,	2021	2020
Division support license fees	\$ 215,045	\$ 217,080
Federation web platform fees	148,000	140,104
Other	32,437	1,300
Ride Don't Hide registration and donations	11,000	24,000
Workplace mental health program subscription and training	5,675	84,870
Certification fees	5,320	-
Conference	-	3,375
	\$ 417,477	470,729

(c) Revenue sharing

The Association receives general and Ride Don't Hide donations which are designated for provincial / territorial divisions and regional branches. The amounts received are recorded in revenues of the Association. The Association transfers the revenues, less an administrative fee, to the designated provincial / territorial divisions and regional branches. The amounts transferred to the designated provincial / territorial divisions and regional branches of \$1,159,640 (2020 - \$1,033,594) is recorded as a reduction in gross revenues.

11 Financial instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

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 is exposed to credit risk through its cash, accounts receivable and investments.

The Association's bank accounts are held at one financial institution and funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Receivables include public service body rebate receivable which is secured. Fees and other accounts receivable are unsecured and therefore pose a higher risk of default.

THE CANADIAN MENTAL HEALTH ASSOCIATION

Notes to the Financial Statements

March 31, 2021

11 Financial instruments (continued)

Credit risk (continued)

Credit risk related to investments is minimized by ensuring that these assets are invested in credit-worthy parties.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due.

The Association manages liquidity risk through its investment policy and cash flow budgeting process.

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 is comprised of currency risk, interest rate risk and other price risk.

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. A portion of the investments of the Associations consist of US equities. As a result, the Association is exposed to the risk that arises from fluctuation of foreign exchange rates.

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 subject to interest rate risk to the extent that interest rates may affect the value of fixed income securities held.

The Association has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

The Association is exposed to other price risk through its investment in equities.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year.

12 Comparative figures

Certain comparative figures have been restated as described in (note 3) and reclassified to conform to the presentation adopted in the current year.