

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Financial Statements

Year Ended March 31, 2020

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of **Canadian Mental Health Association NL Division Corporation**

Qualified Opinion

I have audited the accompanying financial statements of **Canadian Mental Health Association NL Division Corporation**, which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my 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 NL Division Corporation** as at March 31, 2020 and the results of its operations and its cash flow 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 and not-for-profit organizations, **Canadian Mental Health Association NL Division Corporation** derives revenue from donations and 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 NL Division Corporation**. Therefore, I was not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and March 31, 2020, assets as at March 31, 2019 and March 31, 2020 and net assets as at April 1, 2019, March 31, 2019 and March 31, 2020. My audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

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

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing **Canadian Mental Health Association NL Division Corporation'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 **Canadian Mental Health Association NL Division Corporation** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Canadian Mental Health Association NL Division Corporation's** financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. the risk of not detecting a material misstatement resulting from fraud is higher than 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 **Canadian Mental Health Association NL Division Corporation'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 significant doubt on **Canadian Mental Health Association NL Division Corporation's** ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause **Canadian Mental Health Association NL Division Corporation** to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.



Mount Pearl, NL
August 4, 2020

CHARTERED PROFESSIONAL ACCOUNTANT

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION


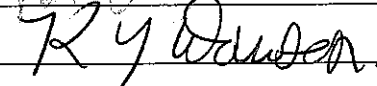
Statement of Financial Position

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 151,462	\$ 139,599
Short term investments (Note 3)	37,667	37,153
Accounts receivable	60,415	19,808
Harmonized sales tax recoverable (Note 3)	17,655	21,207
Prepaid expenses	14,123	12,674
	281,322	230,441
CAPITAL ASSETS (Notes 3 and 6)	575,424	585,317
LONG TERM INVESTMENTS (Note 3)	100	100
	\$ 856,846	\$ 815,858
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 23,349	\$ 17,845
Current portion of long term debt (Note 7)	18,253	18,253
Wages payable	78,462	53,575
Employee deductions payable	22,260	-
Deferred revenue (Note 9)	15,600	850
	157,924	90,523
LONG TERM DEBT (Note 7)	382,465	415,718
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	100,771	113,771
	641,160	620,012
NET ASSETS	215,686	195,846
	\$ 856,846	\$ 815,858

LEASE COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

**Statement of Operations
Year Ended March 31, 2020**

	2020	2019
REVENUES (Note 3)		
Provincial government grants and funding	\$ 723,700	\$ 723,200
Donations from corporations and other	166,133	165,073
Training	94,257	105,553
Donations from individuals	86,993	103,031
Other events and projects	76,521	129,652
Employment program	68,366	120,293
Changing minds training	29,200	6,400
Forgiveness of debt (Note 7)	15,000	15,000
Contributions relating to capital assets (Note 8)	13,000	15,742
Bequests	8,993	9,200
Municipal government grants	5,000	-
Rental income	4,200	4,200
United way	2,122	13,199
Memberships	788	-
Interest income	514	211
Book sales, giclee cards and other	89	30
CASP conference	-	157,004
Honorariums	-	100
	1,294,876	1,567,888
EXPENSES		
Salaries and wages	829,317	879,271
Training and development	122,999	54,315
Projects and events	44,480	55,524
Advertising and promotion	38,258	34,726
Amortization	33,215	34,752
Professional fees	27,266	15,425
Telephone and internet	25,344	24,449
Rental	24,188	20,310
Travel	21,520	27,583
Office	17,120	9,777
Interest on long term debt	16,420	16,842
Insurance	13,716	13,527
Repairs and maintenance	13,433	14,523
Wage subsidies	10,702	42,043
Utilities	9,347	8,252
Equipment	7,322	6,244
Interest and bank charges	6,722	6,796
National premiums	5,575	5,575
Consulting fees	3,552	6,580
Supplies	2,971	3,591
Municipal taxes	1,000	1,002
Miscellaneous	569	-
CASP conference	-	128,247
	1,275,036	1,409,354
EXCESS OF REVENUES OVER EXPENSES	\$ 19,840	\$ 158,534

See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2020

	2020	2019
NET ASSETS - BEGINNING OF YEAR , as originally stated	\$ 234,008	\$ 78,183
PRIOR PERIOD ADJUSTMENT <i>(Note 5)</i>	(38,162)	(40,871)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED <i>(Note 5)</i>	195,846	37,312
EXCESS OF REVENUES OVER EXPENSES, AS ORIGINALLY STATED	19,840	155,825
PRIOR PERIOD ADJUSTMENT <i>(Note 5)</i>	-	2,709
EXCESS OF REVENUES OVER EXPENSES, AS RESTATED <i>(Note 5)</i>	-	158,534
NET ASSETS - END OF YEAR	\$ 215,686	\$ 195,846

See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

**Statement of Cash Flow
Year Ended March 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 19,840	\$ 158,534
Items not affecting cash:		
Amortization	33,215	34,752
Forgiveness of debt	(15,000)	(15,000)
Prior period adjustment (Note 5)	-	(40,871)
	38,055	137,415
Changes in non-cash working capital:		
Accounts receivable	(40,607)	(6,812)
Accounts payable	5,504	(6,776)
Deferred revenue	14,750	(38,198)
Prepaid expenses	(1,449)	2,894
Harmonized sales tax recoverable	3,552	(4,015)
Wages payable	24,887	37,410
Employee deductions payable	22,260	(10,902)
	28,897	(26,399)
Cash flow from operating activities	66,952	111,016
INVESTING ACTIVITY		
Purchase of capital assets	(23,322)	(6,464)
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	(13,000)	(15,742)
Repayment of long term debt	(18,253)	(18,253)
Cash flow used by financing activities	(31,253)	(33,995)
INCREASE IN CASH FLOW	12,377	70,557
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	176,752	106,195
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 189,129	\$ 176,752
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 151,462	\$ 139,599
Short term investments	37,667	37,153
	\$ 189,129	\$ 176,752

See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE ORGANIZATION

Canadian Mental Health Association NL Division Corporation (the "organization") is a registered charity incorporated provincially under the Corporations Act of Newfoundland and Labrador. The organization is exempt from income tax under section 149 (1) of the Income Tax Act.

The organization operates to promote a better understanding of mental health and mental illness in the province of Newfoundland and Labrador ("NL"). The organization operates from premises in three locations: St. John's, NL, Grand Falls-Windsor, NL and Stephenville, NL.

2. ECONOMIC DEPENDENCE

The organization is considered to be economically dependent on the Government of the Province of Newfoundland and Labrador for ongoing financial assistance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian ASNFPO requires management and the board of directors to make estimates and assumptions that affect the reported amount 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Cash and cash equivalents

The organization's policy is to present bank balances and short term investments under cash and cash equivalents.

Investments

Short term investments, which consist of Guaranteed Investment Certificates (GICs) with original maturities of twelve months, are carried at cost plus accrued interest. The GICs held by the organization mature in May 2020 and September 2020, carry interest at 1.60% per annum and are pledged as security for the mortgaged land and building (to a limit of \$35,000). Long term investments, consisting of mutual funds, are carried at fair value.

Harmonized sales tax

Where taxable, Harmonized Sales Tax on acquired materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as a corresponding asset or expense as applicable with the rebate treated as receivable.

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CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land	N/A	
Buildings	4%	declining balance method
Computer equipment	30%	declining balance method
Furniture and equipment	20%	declining balance method
Security system	20%	declining balance method
Signs	20%	declining balance method
Parking areas	8%	declining balance method

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition, capital assets are amortized at one half of their normal rates. Capital assets are not amortized in the year of disposal.

Revenue recognition

Unrestricted revenues and contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized using the deferral method of accounting.

Contributions pertaining to the acquisition of depreciable capital assets are deferred and recognized as revenue on the same basis as the related amortization expense pertaining the assets. Contributions pertaining to the acquisition of non depreciable capital assets are recognized directly in the statement of changes in net assets in the period in which the assets were acquired.

Contributed services

The organization is governed by board members that provide their services on a volunteer basis. The fair value of these services cannot be reasonably determined and are therefore not reflected in these financial statements.

4. CREDIT FACILITY

The organization has a credit facility with the Canadian Imperial Bank of Commerce, which includes an approved operating line that can be drawn upon to a maximum of \$40,000, which bears interest at prime plus 1.5% and is secured by a Borrowing Resolution signed by the executive officers of the organization. At the statement of financial position date, the amount owing, which is due on demand, is \$0 (2019: \$0).

5. PRIOR PERIOD ADJUSTMENT

During the year ended March 31, 2020, management completed a comprehensive review of staff leave balances and determined that balances were understated in the organization's financial statements. The organization has recorded an adjustment and restated the 2019 financial statements by decreasing net assets as at April 1, 2018 by \$40,871 and increasing wages payable by \$40,871. For the year ended March 31, 2019, the organization also decreased salaries and wages expense by \$2,709, increased excess of revenues over expenses by \$2,709 and decreased wages payable by \$2,709. As a result of this adjustment, opening net assets decreased by \$38,162 and wages payable increased by \$38,162 at April 1, 2019.

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 141,383	\$ -	\$ 141,383	\$ 141,383
Buildings	417,959	55,571	362,388	377,487
Computer equipment	52,288	40,344	11,944	5,466
Furniture and equipment	151,541	103,394	48,147	60,184
Security system	3,305	1,061	2,244	243
Signs	962	519	443	554
Parking areas	9,245	370	8,875	-
	\$ 776,683	\$ 201,259	\$ 575,424	\$ 585,317

7. LONG TERM DEBT

	2020	2019
Bank mortgage bearing interest at prime plus 1.50% per annum, repayable in monthly principal payments of \$1,521 plus interest. The mortgage matures in May 2036 and is secured by land and building with a net carrying amount of \$503,771 and short term investments limited to \$35,000. The bank also holds first charge rights on the land and building.	\$ 295,093	\$ 313,346
Newfoundland Labrador Housing non-repayable loan bearing interest at 0% per annum, forgiven over a period of ten years, maturing July 2026. Loan utilized for acquisition of land and building. Loan forgiven at a rate of \$625 per month. Loan forgiveness commenced August 2016. During the year, \$7,500 of the principal amount was forgiven (2019- \$7,500).	47,500	55,000
Newfoundland Labrador Housing non-repayable loan bearing interest at 0% per annum, forgiven over a period of ten years, maturing December 2017. Loan utilized for ongoing capital upgrades. Loan forgiven at a rate of \$625 per month. Loan forgiveness commenced January 2018. During the year, \$7,500 of the principal amount was forgiven (2019-\$7,500).	58,125	65,625
	400,718	433,971
Amounts payable within one year	(18,253)	(18,253)
	\$ 382,465	\$ 415,718

Principal repayment terms are approximately:

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CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

7. LONG TERM DEBT <i>(continued)</i>		
	2021	\$ 18,253
	2022	18,253
	2023	18,253
	2024	18,253
	2025	18,253
		<u>91,265</u>
		<u>\$ 91,265</u>

Principal repayment pertains only to the Bank Mortgage. The forgivable loans have no repayment requirement and are recognized as revenue over the applicable forgiveness period.

8. DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS

During 2017, the organization acquired real estate situated in St. John's, NL, consisting of land and a building. The property serves as the organization's head office.

In 2016, the organization received a contribution of \$90,000 from the Government of Newfoundland and Labrador utilized by the organization to assist in acquiring land and a building. Upon acquiring the property in 2017, the portion of the contribution allocated to the land (\$22,500) was recognized in the statement of changes in net assets with the remaining portion (\$67,500), applicable to the building, being deferred and recognized as a liability. This allocation was determined on the basis of the market values of the land and building at the time of purchase. Annually, revenue is recognized in the statement of operations on the same basis as the amortization expense applicable to the building. During 2020, \$2,439 was recognized as revenue (2019- \$2,540).

During 2017, the organization received a contribution of \$22,744 from the Government of Newfoundland and Labrador for capital upgrades consisting of equipment to make the building more accessible. This contribution was deferred and recognized as a liability. Annually, revenue is recognized in the statement of operations on the same basis as the amortization expense applicable to the equipment (classified as furniture and equipment) acquired improved upon. During 2020, \$3,275 was recognized as revenue (2019- \$4,094).

During 2017, the organization received a contribution of furniture and equipment valued at \$7,000 from a private corporation. This contribution was deferred and recognized as a liability. Annually, revenue is recognized in the statement of operations on the same basis as the amortization expense applicable to the furniture and equipment. During 2020, \$806 was recognized as revenue (2019- \$1,008).

During 2018, the organization received a contribution of \$45,000 from the City of St. John's for capital upgrades consisting of equipment to make the building more accessible. This contribution was deferred and recognized as a liability. Annually, revenue is recognized in the statement of operations on the same basis as the amortization expense applicable to the equipment (classified as furniture and equipment). During 2020, \$6,480 was recognized as revenue (2019- \$8,100).

The balance of deferred contributions relating to capital assets is summarized below:

Contribution from Government of Newfoundland and Labrador for acquisition of land and building	\$ 58,525	\$ 60,964
Contribution from Government of Newfoundland and Labrador for accessibility enhancements	13,100	16,375
Contribution of furniture and fixtures from private corporation	3,226	4,032
Contribution from City of St. John's for accessibility enhancements	25,920	32,400
	<u>\$ 100,771</u>	<u>\$ 113,771</u>

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

9. DEFERRED REVENUE

	2020	2019
Bequests held in long term investments, at fair value, use restricted by the board of directors.	\$ 100	\$ 100
Event and project revenues received in advance	15,500	750
	\$ 15,600	\$ 850

10. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. Risk management is used by the organization to monitor and manage its risk arising from financial instruments. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from cash and cash equivalents, accounts receivable and long term investments. In order to reduce its credit risk, the organization deposits its cash and cash equivalents with reputable, major financial institutions. Accounts receivable consists of revenues receivable from government departments and reputable organizations and, as such, collectibility is considered to be likely. The long term investments include mutual funds invested in high credit quality corporations and financial institutions.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from the Government of the Province of Newfoundland and Labrador (see Note 2).

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 rate risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its cash and cash equivalents, investments in interest bearing securities and its long term financing.

11. LEASE COMMITMENTS

The office lease for the Grand Falls-Windsor location, requiring monthly lease payments of \$1,006, is a month-to-month lease. The office lease for the Stephenville location, requiring monthly lease payments of \$1,150 expires in February 2021. The organization also has entered into leases of office equipment with monthly lease payments totaling \$598. The leases expire in December 2021, August 2022 and September 2024.