

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Financial Statements

Year Ended March 31, 2021

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

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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, 2021 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2021 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 (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and March 31, 2021, assets as at March 31, 2020 and March 31, 2021 and net assets as at April 1, 2020, March 31, 2020 and March 31, 2021. My audit opinion on the financial statements for the year ended March 31, 2021 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
September 20, 2021

CHARTERED PROFESSIONAL ACCOUNTANT

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Statement of Financial Position

March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 555,533	\$ 151,462
Short term investments (Note 2)	37,909	37,667
Accounts receivable	114,831	60,415
Harmonized sales tax recoverable (Note 2)	19,173	17,655
Prepaid expenses	18,533	14,123
	745,979	281,322
CAPITAL ASSETS (Notes 2 and 7)	564,125	575,424
LONG TERM INVESTMENTS (Note 2)	100	100
	\$ 1,310,204	\$ 856,846
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 76,544	\$ 23,350
Current portion of long term debt (Note 8)	284,460	18,253
Wages payable	106,270	78,462
Employee deductions payable	29,681	22,260
Deferred revenue (Note 11)	449,055	15,600
	946,010	157,925
LONG TERM DEBT (Note 8)	40,000	276,840
FORGIVABLE LOANS (Note 9)	111,848	116,508
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	89,981	100,771
	1,187,839	652,044
NET ASSETS	122,365	204,802
	\$ 1,310,204	\$ 856,846

LEASE COMMITMENTS (Note 13)

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, 2021**

	2021	2020
REVENUES <i>(Note 2)</i>		
Provincial government grants and funding	\$ 723,700	\$ 723,700
Donations from corporations and other	124,969	166,133
Donations from individuals	73,657	86,993
Other events and projects	70,310	76,521
Community Food Centers of Canada Funding	69,844	-
Employment program	65,260	68,366
United way	57,755	2,122
Training	50,142	94,257
TD Ready Challenge Funding	16,064	-
Bequests	11,268	8,993
Contributions relating to capital assets <i>(Note 10)</i>	10,790	13,000
Municipal government grants	6,250	5,000
Community Food Foundation Funding	4,271	-
Rental income	3,500	4,200
Memberships	1,596	788
Housing supports project	484	-
Changing minds training	-	29,200
Book sales, giclee cards and other	-	89
	1,289,861	1,279,362
EXPENSES		
Salaries and wages	1,051,259	865,276
Program materials, supplies and other expenses	121,568	-
Training and development	42,803	122,999
Advertising and promotion	42,013	38,258
Professional fees	39,091	27,266
Amortization	32,071	33,215
Projects and events	25,555	44,480
Rental	25,263	24,188
Telephone and internet	24,602	25,344
Bad debts	23,248	-
Repairs and maintenance	22,686	13,433
Office	17,936	17,121
Travel	17,339	21,520
Insurance	13,744	13,716
Interest on long term debt	11,634	16,420
Supplies	11,416	2,971
Equipment	8,920	7,322
Utilities	8,793	9,347
National premiums	5,575	5,575
Interest and bank charges	5,086	6,722
Wage subsidies	3,780	10,702
Consulting fees	3,533	3,552
Municipal taxes	501	1,000
Miscellaneous	1	569
	1,558,417	1,310,996
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE OTHER INCOME	(268,556)	(31,634)

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See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Statement of Operations (continued)

Year Ended March 31, 2021

	2021	2020
OTHER INCOME		
Government of Canada COVID-19 wage subsidies	151,210	35,959
Loan forgiveness	24,660	4,855
Government of Newfoundland COVID-19 relief grant	10,000	-
Interest	249	514
	186,119	41,328
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (82,437)	\$ 9,694

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2021

	2021	2020
NET ASSETS - BEGINNING OF YEAR , as originally stated	\$ 215,685	\$ 195,846
CHANGE IN ACCOUNTING POLICY <i>(Note 6)</i>	(10,883)	(738)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED <i>(Note 6)</i>	204,802	195,108
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, AS ORIGINALLY STATED	(82,437)	19,839
CHANGE IN ACCOUNTING POLICY <i>(Note 6)</i>	-	(10,145)
EXCESS OF REVENUES OVER EXPENSES, AS RESTATED <i>(Note 6)</i>	-	9,694
NET ASSETS - END OF YEAR	\$ 122,365	\$ 204,802

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Statement of Cash Flow

Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (82,437)	\$ 9,694
Items not affecting cash:		
Amortization	32,071	33,215
Loan forgiveness	(24,660)	(4,855)
	(75,026)	38,054
Changes in non-cash working capital:		
Accounts receivable	(54,416)	(40,607)
Accounts payable	53,194	5,505
Deferred revenue	433,455	14,750
Prepaid expenses	(4,410)	(1,449)
Harmonized sales tax recoverable	(1,518)	3,552
Wages payable	27,808	24,887
Employee deductions payable	7,421	22,260
	461,534	28,898
Cash flow from operating activities	386,508	66,952
INVESTING ACTIVITY		
Purchase of capital assets	(20,772)	(23,322)
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	(10,790)	(13,000)
Proceeds from long term financing	60,000	-
Repayment of long term debt	(10,633)	(18,253)
Cash flow from (used by) financing activities	38,577	(31,253)
INCREASE IN CASH FLOW	404,313	12,377
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	189,129	176,752
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 593,442	\$ 189,129
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 555,533	\$ 151,462
Short term investments	37,909	37,667
	\$ 593,442	\$ 189,129

See notes to financial statements

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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. 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 cash, bank balances and short term investments under cash and cash equivalents. Short term investments are presented separately in the statement of financial position.

Investments

Short term investments consist of Guaranteed Investment Certificates (GICs) with original maturities of twelve months. The GICs held by the organization mature in May 2021 and September 2021, carry interest at 0.40% and 0.25% per annum respectively and are pledged as security for the mortgaged land and building (to a limit of \$35,000). Long term investments consist of mutual funds.

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, 2021

2. 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 and software	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, whereby contributions are recognized as revenue in the year in which the related expenses are incurred.

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.

Loan forgiveness income pertaining to loans utilized for the purposes of acquiring and/or upgrading capital assets is recognized on the same basis as the related amortization expense pertaining to the assets.

Loan forgiveness income pertaining to the forgiven portion of emergency financing provided by the Government of Canada (CEBA Loan) is recognized in the period the loan proceeds are receivable.

Government assistance relating to the funding of current expenses is recorded as revenue in the period in which the related expenses are incurred.

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.

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CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash, short term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

The organization's financial assets measured at fair value include long term investments.

3. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

4. ECONOMIC DEPENDENCE

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

5. CREDIT FACILITY

The organization has a credit facility with the Canadian Imperial Bank of Commerce (CIBC), 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 (2020: \$0).

6. CHANGE IN ACCOUNTING POLICY

During the year ended March 31, 2021, the organization completed a comprehensive review of its accounting policies with respect to forgivable loans. Previously, the organization recognized annually as revenue the amount of loan forgiveness as indicated by the lender. However, as the forgivable loans were used to acquire and upgrade real estate property, the organization has decided to recognize annually as revenue the amount of loan forgiveness on the same basis as the amortization expense applicable to the real estate (building).

The organization has recorded an adjustment and restated the 2020 financial statements by decreasing net assets as at April 1, 2019 by \$738 and increasing forgivable loans by \$738. For the year ended March 31, 2020, the organization also decreased loan forgiveness income by \$10,145 and decreased excess of revenues over expenses by \$10,145. As a result of this adjustment, opening net assets as at April 1, 2020 decreased by \$10,883.

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 141,383	\$ -	\$ 141,383	\$ 141,383
Buildings	417,959	70,067	347,892	362,388
Computer equipment and software	73,060	47,043	26,017	11,944
Furniture and equipment	151,541	113,023	38,518	48,147
Security system	3,305	1,510	1,795	2,244
Signs	962	607	355	443
Parking areas	9,245	1,080	8,165	8,875
	\$ 797,455	\$ 233,330	\$ 564,125	\$ 575,424

8. LONG TERM DEBT

	2021	2020
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 September 2021 and is secured by land and building with a net carrying amount of \$489,275 and short term investments limited to \$35,000. The bank also holds first charge rights on the land and building.	\$ 284,460	\$ 295,093
CIBC Canada Emergency Business Account loan bearing interest at 0% until December 31, 2022, at which time it is converted to a three-year term loan bearing interest at 5% per annum. Repayment on or before December 31, 2022 will result in one-third of the balance being forgiven.	40,000	-
	324,460	295,093
Amounts payable within one year	(284,460)	(18,253)
	\$ 40,000	\$ 276,840

Principal repayment terms are approximately:

2022	\$ 284,460
2023	40,000
	<u>\$ 324,460</u>

In management's opinion, the non-forgivable portion of the Canada Emergency Business Account loan is expected to be fully repaid by December 31, 2022. As a result, for the year ended March 31, 2021, \$20,000, representing one-third of the loan proceeds, is included in income for the forgiven portion of the loan and the loan balance was reduced by \$20,000.

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

9. FORGIVABLE LOANS

The organization obtained two forgivable loans from Newfoundland and Labrador Housing Corporation during the years ended March 31, 2017 and March 31, 2018 to assist with the purchase of real estate and related improvements to the property. The property is utilized as the organization's headquarters located in St. John's, NL. The reduction in the principal of forgivable loans is recognized in the statement of operations as revenue on the same basis as the amortization expense applicable to the building.

	2021	2020
Balances, beginning of year	\$ 116,508	\$ 121,363
Amounts amortized to revenue during year	(4,660)	(4,855)
Balances, end of year	\$ 111,848	\$ 116,508

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

10. 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 2021, \$2,341 was recognized as revenue (2020- \$2,439).

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 2021, \$2,620 was recognized as revenue (2020- \$3,275).

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 2021, \$645 was recognized as revenue (2020- \$806).

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 2021, \$5,184 was recognized as revenue (2020- \$6,480).

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	\$	56,184	\$	58,525
Contribution from Government of Newfoundland and Labrador for accessibility enhancements		10,480		13,100
Contribution of furniture and fixtures from private corporation		2,581		3,226
Contribution from City of St. John's for accessibility enhancements		20,736		25,920
	\$	89,981	\$	100,771

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

11. DEFERRED REVENUE

	2021	2020
TD Ready Challenge Project	\$ 183,936	\$ -
United Way Emergency Community Support Funding	73,871	-
Government of Newfoundland and Labrador: Mental Health First Aid and ASIST Training	50,000	-
Community Food Centers of Canada	38,193	-
End Homelessness St. John's Housing Support Worker Funding	31,116	-
Employment project	21,970	-
Bell Let's Talk Mental Health First Aid for Seniors	18,000	-
Community Foundation of Canada	17,799	-
Event, training and other revenues received in advance	14,070	15,500
Bequests held in long term investments, at fair value, use restricted by the board of directors.	100	100
	\$ 449,055	\$ 15,600

12. 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, 2021.

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 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. Where applicable, the organization records an allowance for doubtful accounts for receivables that it deems uncollectible. The investments include guaranteed investment certificates and 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 4).

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.

CANADIAN MENTAL HEALTH ASSOCIATION NL DIVISION CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

13. LEASE COMMITMENTS

The office lease for the Grand Falls-Windsor location, requiring monthly lease payments of \$575, expires on January 31, 2022. The office lease for the Stephenville location, requiring monthly lease payments of \$1,150 is a month-to-month lease. The organization also has entered into leases of office equipment with monthly lease payments totaling \$758. The leases expire in December 2021, August 2022 and September 2024.

14. COVID-19

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which as resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. These emergency measures, including periodic lockdowns and ongoing restrictions, in conjunction with increased costs associated with personal protective equipment, working remotely and other safety measures, have impacted the Organization's operations.

While the Organization has been able to mitigate the short term of impact of COVID-19 on its operations, it is not possible to reliably estimate the severity and long term impact COVID-19 may have on the Organization's financial results, conditions and cash flows.