

Financial statements of

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH**

March 31, 2011

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
March 31, 2011**

Table of contents

Independent Auditor's Report	1-2
Balance sheet	3
Statement of revenue and expenses	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-15

Independent Auditor's Report

To the Members of
The Canadian Mental Health Association Toronto Branch

We have audited the accompanying financial statements of The Canadian Mental Health Association Toronto Branch, which comprise the balance sheet as at March 31, 2011, and the statements of revenue and expenses, changes 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 generally accepted accounting principles, 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 The Canadian Mental Health Association Toronto Branch at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

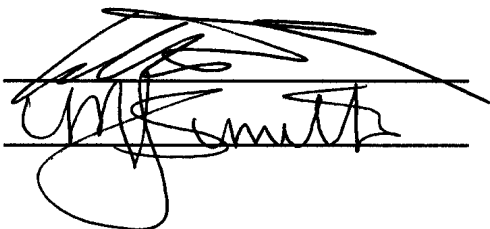
Chartered Accountants
Licensed Public Accountants
May 30, 2011

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
Balance Sheet
as at March 31**

	2011 \$	2010 \$
ASSETS		
Current		
Cash	775,688	636,102
Accounts receivable	493,426	374,714
Prepaid expenses	490,646	489,870
Total current assets	1,759,760	1,500,686
Investments (note 4)	3,573,141	3,217,650
Capital assets, (note 5[a])	367,398	456,409
	5,700,299	5,174,745
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	925,721	917,801
Due to Ontario Ministry of Health and Long-Term Care/Central LHIN	316,685	201,887
Total current liabilities	1,242,406	1,119,688
Deferred contributions (note 6)	442,834	458,869
Deferred capital contributions (note 7)	63,398	131,054
Employee future benefits (note 8)	6,712	8,171
Deferred lease inducements	266,993	324,725
	2,022,343	2,042,507
Net Assets		
Invested in capital assets (note 5[b])	89,199	62,815
Richmond/Sheppard fund (note 9)	3,588,757	3,069,423
Total net assets	3,677,956	3,132,238
	5,700,299	5,174,745

See accompanying notes

Approved by the board:



Director

Director

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
Statement of Revenue and Expenses
for the year ended March 31**

	2011				2010	
	Core Programs \$	Community Support Programs \$	Special Projects \$	Richmond/ Sheppard Fund (Note 9) \$	Total \$	Total \$
REVENUE						
Ontario Ministry of Health and Long-Term Care:						
Central LHIN	-	15,372,800	-	-	15,372,800	15,174,316
Rent supplement (note 10)	-	2,450,258	-	-	2,450,258	2,378,984
Ministry managed projects	-	-	23,129	-	23,129	65,829
Rental income (note 10)	-	2,228,456	89,342	-	2,317,798	2,265,361
United Way Of Greater Toronto	509,468	55,500	60,000	-	624,968	632,892
Other government grants	15,925	-	1,058,976	-	1,074,901	512,961
Investment income	10,001	4,566	4,157	195,403	214,127	217,923
Fees for services rendered	75,241	166,143	945,890	-	1,187,274	1,200,859
Donations	100,663	3,495	2,814	50,000	156,972	176,016
Holiday Gift Program	52,524	-	-	-	52,524	45,873
	763,822	20,281,218	2,184,308	245,403	23,474,751	22,671,014
EXPENSES						
Salaries and benefits	495,203	12,520,235	1,670,170	-	14,685,608	13,896,964
Housing accommodation (note 10)	-	4,678,714	98,162	-	4,776,876	4,644,743
Purchased services	56,538	1,059,574	105,478	-	1,221,590	1,352,070
Building occupancy	8,326	953,834	69,740	-	1,031,900	973,397
Travel	14,215	356,716	36,105	-	407,036	456,458
Office	27,926	243,386	15,401	-	286,713	292,658
Equipment purchases	1,095	72,900	17,984	-	91,979	25,368
Program supplies and meetings	29,664	183,086	86,739	-	299,489	288,679
Holiday Gift Program	74,068	-	-	-	74,068	96,863
Recruitment and education	12,411	110,708	16,342	-	139,461	154,521
Amortization of capital assets	27,142	98,188	15,021	-	140,351	259,141
Promotion and publicity	17,364	3,877	-	-	21,241	26,620
	763,952	20,281,218	2,131,142	-	23,176,312	22,467,482
Surplus (deficiency) of revenue over expenses	(130)	-	53,166	245,403	298,439	203,532

See accompanying notes

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
Statement of Changes in Net Assets
for the year ended March 31**

	2011			2010	
	Operating fund \$	Richmond/ Sheppard fund \$	Invested in capital assets \$	Total \$	Total \$
Net assets, beginning of year	-	3,069,423	62,815	3,132,238	2,514,895
Surplus of revenue over expenses	53,036	245,403	-	298,439	203,532
Change in invested in capital assets <i>(note 5[b])</i>	(26,384)	-	26,384	-	-
Change in unrealized gains on available for sale financial assets during the year	-	247,279	-	247,279	413,811
Transfer to Richmond/Sheppard fund from operating fund (Note9)	(26,652)	26,652	-	-	-
Net assets, end of year	-	3,588,757	89,199	3,677,956	3,132,238

See accompanying notes

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
Statement of Cash Flows
for the year ended March 31**

	2011 \$	2010 \$
OPERATING ACTIVITIES		
Surplus of revenue over expenses	298,439	203,532
Add (deduct) items not affecting cash		
Amortization of capital assets	140,351	259,141
Amortization of deferred capital contributions	(67,656)	(196,936)
Amortization of deferred lease inducements	(47,739)	(47,739)
Realized gain from investments	(195,403)	(199,772)
	127,992	18,226
Change in non-cash working capital balances related to operations		
Accounts receivable	(118,712)	(57,735)
Prepaid expenses	(776)	5,886
Accounts payable and accrued liabilities	7,920	36,871
Due to Ontario Ministry of Health and Long-Term Care/Central LHIN	114,798	(229,260)
Deferred contributions	(16,035)	273,370
Employee future benefits	(1,459)	(2,970)
Deferred lease inducement for rent free period	(9,993)	(10,330)
Cash provided by operating activities	103,735	34,058
INVESTING ACTIVITIES		
Purchase of capital assets	(51,340)	(90,716)
Redemption of investments	87,191	150,163
Cash used in investing activities	35,851	59,447
FINANCING ACTIVITIES		
Deferred capital contributions	-	56,845
Cash used in investing and financing activities	-	56,845
Net increase in cash during the year	139,586	150,350
Cash, beginning of year	636,102	485,752
Cash, end of year	775,688	636,102

See accompanying notes

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

1. DESCRIPTION

The Canadian Mental Health Association Toronto Branch (the "Association") is principally involved in providing mental health services to the Toronto area. As at March 31, 2011, the Association is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

As provided under the Local Health System Integration Act, 2006, effective April 1, 2007, the Ministry of Health and Long Term-Care ("MOHLTC") assigned to the Central Local Health Integration Network ("LHIN"), all its rights, duties and obligations under its 2007-2008 Transfer Payment Agreement with the Association. This agreement is aligned with the Ministry's transformation agenda and will enable the Central LHIN to take on full responsibility for planning, funding and integrating health services which includes the services provided by the Association in Toronto.

2. FUTURE ACCOUNTING CHANGES

In December 2010, the Canadian Institute of Chartered Accountants ("CICA") issued accounting standards for Not-for-Profit Organizations (Part III of the CICA Handbook – Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are required to adopt either Part III of the CICA Handbook – Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook – Accounting). Earlier adoption is permitted. The Association is currently evaluating the impact of the two options on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the standards for not-for-profit organizations in Canada. The significant accounting policies are as follows:

Capital assets

Purchased capital assets are recorded at cost. Capital assets under \$ 5,000 are expensed and reported as equipment purchases in the statement of revenues and expenses. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	Term of lease

Revenue recognition

The Association follows the deferral method of accounting for contributions which include donations and government grants. Contributions externally restricted are recognized as revenue in the year in which the related expenses are incurred. The Association actively fundraises and unrestricted contributions are recorded as revenue when received. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related assets.

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Association has classified each of its financial instruments into accounting categories as follows:

- Cash is “held-for-trading”. Held-for-trading items are carried at fair value, with changes in their face value recognized in the Statement of Operations in the current period.
- Accounts receivable as “loans and receivables”. “Loans and receivables” are carried at amortized cost, using the effective interest method, net of any impairment.
- Investments as “available for sale”. Available for sale items are carried at fair value, with unearned gains and losses recognized in the Statement of Change in Net Assets in the current period.
- All accounts payable and accrued liabilities as “other liabilities”. “Other liabilities” are carried at amortized cost, using the effective interest method.

As allowed under Section 3855 “Financial Instruments –Recognition and Measurement”, the Association has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Association has elected to follow the disclosure requirements of Section 3861 “Financial Instruments – Disclosure and Presentation” of the CICA Handbook.

Investments

Investments in pooled funds are recorded at the year end net asset value of the funds which represent fair value.

Transaction costs are expensed as they are incurred.

Employee future benefits

The Association accrues its obligations to its employees for employee future benefits based on management’s best estimate of the payments to be made. On an annual basis management reassesses the Association’s liability for the payment of the employee future benefits and adjusts the liability accordingly.

Deferred lease inducements

Deferred lease inducements represent leasehold improvements on account of capital expenditures financed by the landlord and periods with free or reduced rental payments. These lease inducements are amortized on a straight-line basis over the term of the lease and are recorded as a reduction in rental expense.

Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions 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 for the year ended. The actual results may differ from those estimates.

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

4. INVESTMENTS

At March 31, 2011 the Association's investments were held in two pooled funds with Acuity Investment Management. The Acuity Pooled High Income Fund, a balanced fund consisting of 69% equities and 31% bonds, had a fair value on March 31, 2011 of **\$ 3,251,761** (2010 - \$ 3,031,386). The Acuity Pooled Short-Term Fund, a short-term fund consisting of cash and short-term notes had a fair value on March 31, 2011 of **\$ 321,380** (2010 - \$ 186,264).

5. CAPITAL ASSETS

[a] Capital assets consist of the following:

	Cost	2011 Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	961,333	928,463	32,870
Computer equipment	1,034,022	1,008,004	26,018
Leasehold improvements	638,680	330,170	308,510
	2,634,035	2,266,637	367,398

	Cost	2010 Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	961,333	881,017	80,316
Computer equipment	1,020,580	983,436	37,144
Leasehold improvements	638,999	300,050	338,949
	2,620,912	2,164,503	456,409

[b] The net change in net assets invested in capital assets is calculated as follows:

	2011 \$	2010 \$
Balance, beginning of the year	62,815	43,410
Amortization of capital assets	(140,351)	(259,141)
Amortization of deferred capital contributions	67,656	196,936
Amortization of deferred lease inducements	47,739	47,739
Purchase of capital assets	51,340	90,716
Capital assets financed through deferred contributions	-	(56,845)
Balance, end of year	89,199	62,815

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for specific purposes. Changes in the deferred contribution balance are as follows:

	2011	2010
	\$	\$
Balance, beginning of year	458,869	185,499
Grants, donations and investment income	50,250	373,172
Recognized as revenue	(66,285)	(99,802)
Balance, end of year	442,834	458,869

The deferred contributions are to be spent as follows:

	2011	2010
	\$	\$
Mental Health and Justice programs	34,544	76,716
Public education services	14,063	1,645
Mental Health Network projects	8,762	8,762
Consumer support services	17,038	13,576
Deferred last month's rent	368,427	358,170
	442,834	458,869

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Revenue and Expenses.

The change in deferred capital contribution balance for the year is as follows:

	2011	2010
	\$	\$
Balance, beginning of year	131,054	271,145
Contributions received for capital assets	-	56,845
Recognized as revenue	(67,656)	(196,936)
Balance, end of year	63,398	131,054

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

8. EMPLOYEE FUTURE BENEFITS

The Association accrues its obligations to its employees for employee future benefits based on management's best estimate of the payments to be made. The benefit obligation is amortized over the expected duration of the benefit payment.

The change in accrued benefit obligation for the year is as follows:

	2011	2010
	\$	\$
Balance, beginning of year	45,183	53,865
Current service costs	58,076	25,662
Benefit payments	(41,125)	(34,344)
Balance, end of year	62,134	45,183
Current portion included in accounts payable and accrued liabilities	55,422	37,012
Long-term portion	6,712	8,171
Funding status - Unfunded	62,134	45,183

9. RICHMOND/SHEPPARD FUND

The Richmond/Sheppard Fund was established by a resolution of the Board of Directors ("the Board") in 1976 to help preserve the long-term financial viability of the Association. It is the policy of the Board to record all non-designated donations received greater than \$ 5,000 plus investment income earned on the net assets, as revenue in the fund. At the discretion of the Board amounts may be transferred to/from the operating fund. During the year the Board approved the transfer of \$26,652 to the fund from the operating fund. The assets of the fund as at March 31, 2011 are included in the investments of \$3,573,141 in note 4.

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

10. RENT SUPPLEMENT FUNDING

The Association leases housing units at market rates and then sublets the units to clients on a rent geared to income basis. The Ontario Ministry of Health and Long-term Care subsidized the Association's leasing costs with funding from the Supportive Housing Unit and Community Services programs as part of the Mental Health Homelessness Initiative and Mental Health and Justice Program. The revenues and expenses consist of the following:

	Homelessness Initiative \$	Mental Health and Justice \$	2011 Total Community Support \$	Special Projects \$	2011 Total \$
Rent to landlords	1,837,472	2,780,698	4,618,170	97,701	4,715,871
Maintenance and other expenses	29,336	31,208	60,544	461	61,005
Housing accommodation expenses	1,866,808	2,811,906	4,678,714	98,162	4,776,876
Less rental income	(906,257)	(1,322,199)	(2,228,456)	(89,342)	(2,317,798)
Less rent supplement	960,551	1,489,707	2,450,258	-	2,450,258
Deficiency of revenue over expenses	-	-	-	8,820	8,820
	Homelessness Initiative \$	Mental Health and Justice \$	2010 Total Community Support \$	Special Projects \$	2010 Total \$
Rent to landlords	1,812,117	2,694,445	4,506,562	68,425	4,574,987
Maintenance and other expenses	24,736	45,020	69,756	-	69,756
Housing accommodation expenses	1,836,853	2,739,465	4,576,138	68,425	4,644,743
Less rental income	(902,439)	(1,294,895)	(2,197,334)	(68,027)	(2,265,361)
Rent supplement	934,414	1,444,570	2,378,984		2,378,984
Deficiency of revenue over expenses	-	-	-	398	398

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

11. PENSION PLAN

The Association has a defined contribution pension plan. The expense of this plan is equal to the Association's required contributions for the year (4.8% of eligible payroll). The pension expense for the year was **\$523,262** (2010 - \$ 454,491).

12. LEASE COMMITMENTS

The Association's office premises and program sites are operated under nine lease agreements which expire over various periods from May 30, 2012 to May 31, 2026. The Association also leases housing units which it sublets to clients through 398 annual agreements that expire over various periods in 2011 and 2012. Minimum annual rents under these agreements for the next five fiscal years and thereafter are as follows:

	\$
2012	3,909,024
2013	1,088,490
2014	977,657
2015	840,538
2016	451,589
thereafter	1,590,221
	8,855,519

13. GUARANTEES

In the normal course of business, the Association enters into agreements that meet the definition of a guarantee.

(a) The Association has provided indemnities under lease agreements for the use of its premises. Under the terms of these agreements the Association agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payments cannot be reasonably estimated.

(b) The Association indemnifies all directors for various items including but not limited to all costs to settle suits or actions due to services provided to the Association, subject to certain restrictions. The Association has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Association from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Association has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements.

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

14. CAPITAL DISCLOSURES

The Association considers its net assets, line of credit, deferred capital contributions and deferred contributions as its capital.

Net Assets

As a not-for-profit organization, the Association operations are reliant on revenues generated annually. The Association has accumulated net assets over its history to March 31, 2011 of \$3,677,956 (2010-\$3,132,238) which are presented in the statement of financial position as net assets.

A portion of this amount relates to invested in capital assets which represent accumulated net assets which have been dedicated to the Association's capital asset acquisition and development.

Operating fund net assets represent capital that may be utilized for general operations, a portion of which is retained as working capital.

Credit Facilities

The Association has an operating line of credit in the amount of \$540,000. The line bears interest at prime plus 0.5% and is payable on demand. At March 31, 2011 and 2010 no amounts had been drawn against the line of credit.

Deferred capital contributions

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2011, the Association was in compliance with all restrictions applicable to these funding sources.

Deferred contributions

Deferred contributions represent unspent resources externally restricted for specific purposes.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The investments held by the Association are exposed to a variety of financial risks. The Association seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and diversifying of the investment portfolio within the constraints of the Association's Investment Policies.

Significant risks that are relevant to the Association's investments are as follows:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Association. The short-term interest bearing instruments held by the Association have a limited exposure to interest rate risk due to their short-term maturity. The Association has formal policies and procedure that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2011 and 2010, the Association's investments in pooled funds are held with Acuity Investment Management.

**THE CANADIAN MENTAL HEALTH ASSOCIATION
TORONTO BRANCH
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Association to a risk of loss. The Association mitigates this risk through controls to monitor and limit concentration levels.

Fair value

The fair value of cash, accounts receivable, investments, accounts payables and amounts due to the Government of Ontario approximates their carrying values due to their short-term maturity.