Financial statements

Independent Auditors' Report

To the Members of the Mental Health Commission of Canada

We have audited the accompanying financial statements of the *Mental Health Commission of Canada*, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, 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 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.

Auditors' 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 auditors' 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 auditors consider 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 *Mental Health Commission of Canada* as at March 31, 2017, 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.

Ernst & Young LLP

Ottawa, Canada	Chartered Professional Accountants
June 28, 2017	Licensed Public Accountants

Statement of financial position

As at March 31

	2017	2016
	$	$
Assets		
Current		
Cash and cash equivalents	2,160,270	1,277,001
Short-term deposits [note 3]	216,930	403,447
Accounts receivable	2,305,802	1,490,587
GST/HST receivable	178,061	343,851
Deposits and prepaid expenses	158,265	161,867
Inventory	159,629	125,864
Total current assets	5,178,957	3,802,617
Capital assets, net [note 4]	1,287,565	1,054,013
	6,466,522	4,856,630
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	2,998,142	1,514,650
Deferred program fees MHFA	157,674	116,500
Deferred operating contributions [note 6]	80,006	1,146,905
Current portion of deferred tenant lease inducements	130,903	23,875
Total current liabilities	3,366,725	2,801,930
Deferred capital contributions [note 7]	501,080	266,148
Deferred tenant lease inducements	1,323,347	844,341
Total liabilities	5,191,152	3,912,419
Commitments and contingencies [notes 8 and 9]		
Net assets		
MHFA program development reserve fund [note 5]	331,159	(149,923)
Unrestricted	944,211	1,094,134
	1,275,370	944,211
	6,466,522	4,856,630

See accompanying notes

On behalf of the Board

Michael Wilson
Director

Mike Dalton
Director

Statement of operations

Year ended March 31

	2017	2016
	$	$
Revenue		
Grant income	15,152,649	16,232,083
Mental Health First Aid income	5,394,506	2,830,824
Interest and other income	140,545	45,151
Amortization of deferred capital contributions [note 7]	128,282	934,511
	20,815,982	20,042,569
Expenses		
Salaries and benefits	8,963,498	8,042,882
Services	5,360,811	6,616,107
Travel	1,042,567	967,462
Rent	771,693	1,099,481
Meetings and events	1,421,844	1,308,126
Materials	2,796,128	1,506,437
Amortization of capital assets [note 4]	128,282	599,585
Write-off of leasehold improvements	–	334,926
	20,484,823	20,475,006
Excess (deficiency) of revenue over expenses for the year	331,159	(432,437)

See accompanying notes

Statement of changes net assets

Year ended March 31

	Unrestricted	MHFA program development reserve fund	2017 Total	2016 Total
	$	$	$	$
Balance, beginning of year	944,211		944,211	1,376,648
Excess (deficiency) of revenue over expenses	331,159	–	331,159	(432,437)
Reserve transfers	(331,159)	331,159	–	–
Balance, end of year	**944,211**	**331,159**	**1,275,370**	**944,211**

See accompanying notes

Statement of cash flows

Year ended March 31

	2017	2016
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	331,159	(432,437)
Add (deduct) items not affecting cash		
Amortization of deferred capital contributions	(128,282)	(934,511)
Amortization of capital assets	128,282	599,585
Write-off of capital assets	–	334,926
Disposal of capital assets	116,517	–
Changes in non-cash working capital accounts		
Increase in accounts receivable	(815,215)	(1,288,064)
Decrease in GST/HST receivable	165,790	529,482
Decrease in deposits and prepaid expenses	3,602	153,214
Increase in inventory	(33,765)	(85,351)
Increase in accounts payable and accrued liabilities	1,483,492	399,366
Increase in deferred program fees MHFA	41,174	25,512
Increase in tenant lease inducements	586,034	80,351
Cash provided by (used in) operating activities	**1,878,788**	**(617,927)**
Investing activities		
Proceeds from renewal of short-term deposits, net	186,517	3,619,060
Purchase of capital assets	(550,533)	(972,943)
Leasehold improvement incentive received	72,000	811,740
Cash provided by (used in) investing activities	**(292,016)**	**3,457,857**
Financing activities		
Grants received related to operations	14,403,542	14,720,000
Grants recognized as revenue related to operations	(15,107,045)	(16,232,083)
Cash used in financing activities	**(703,503)**	**(1,512,083)**
Net increase in cash and cash equivalents, during the year	883,269	1,327,847
Cash and cash equivalents, beginning of year	1,277,001	(50,846)
Cash and cash equivalents, end of year	**2,160,270**	**1,277,001**

See accompanying notes

Notes to Financial Statements – March 31, 2017

1. Description of business

The Mental Health Commission of Canada (the "Commission") was incorporated on March 26, 2007 under the *Canada Corporations Act* and was continued under the *Canada Not-for-profit Corporations Act* on June 25, 2013. The Commission's mandate is to:

(a) Facilitate and animate a process to elaborate a mental health strategy for Canada;

(b) Build a Pan-Canadian Knowledge Exchange Centre that will allow governments, providers, researchers and the general public to access evidence-based information about mental health and mental illness and to enable people across the country to engage in a variety of collaborative activities;

(c) Develop and implement an initiative to reduce the stigmatization of mental illnesses and eliminate discrimination against people living with mental health problems and mental illnesses; and

(d) Conduct multi-site, policy relevant research that will contribute to the understanding of the effectiveness and costs of service and system interventions to achieve housing stability and improved health and well-being for those who are homeless and mentally ill.

The Commission is registered as a not-for-profit corporation under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes.

On March 31, 2017, the Commission signed a two-year contribution agreement with the Federal Government for a total of $28,500,000 over two years ending March 31, 2019. The contribution agreement provides for the work of the Commission to continue under four strategic priorities: Substance Abuse/Misuse, Suicide Prevention, Population-based Initiatives, and Engagement.

2. Significant accounting policies:

Financial statement presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting, "Accounting Standards for Not-for-Profit Organizations"*.

Revenue recognition

The Commission follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. These financial statements reflect arrangements approved by Health Canada with respect to the year ended March 31, 2017.

Interest income on investments is recorded on the accrual basis.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

The Commission earns service revenue related to first aid courses. Fees that are paid up front prior to the delivery of services are deferred and then recognized during the period the service is delivered.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held on deposit with banks and amounts held in interest-bearing accounts.

Short-term deposits

Short-term deposits consist of amounts held in interest-bearing short-term investments, maturing within 12 months.

Inventory

Inventory is recorded at the lower of cost and net realizable value, with cost determined on a first-in, first-out basis.

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis using the following estimated useful lives:

IT infrastructure	5 years
Software	2 years
Furniture	11 years
Leasehold improvements	over the term of the lease

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Commission has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Commission determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Commission expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates include the valuation of accounts receivable and the recoverability and useful lives of capital assets. Consequently, actual results may differ from those estimates.

3. Short-term deposits

Short-term deposits consist of $216,930 [2016 – $403,447] in Guaranteed Investment Certificates ["GIC"] that mature in less than one year and have an average interest rate of 1.70% [2016 – 1.30%].

4. Capital assets

Capital assets consist of the following:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
IT infrastructure	337,756	–	337,756	106,624
Software	45,605	4,750	40,855	1,714
Furniture	232,180	26,363	205,817	274,144
Leasehold improvements	786,424	83,287	703,137	671,531
	1,401,965	**114,400**	**1,287,565**	**1,054,013**

During the year, the Commission recognized $128,282 [2016 – $599,585] in amortization expense.

5. Mental Health First Aid program development reserve fund

The Mental Health First Aid ["MHFA"] program development reserve fund was created during the fiscal year ended March 31, 2015, is subject to internally imposed restrictions and requires the approval of the Board of Directors for all transactions related to those funds.

During the fiscal year ended March 31, 2017, the surplus from operations related to MHFA activities was transferred to the MHFA program development reserve fund in order to fund business development initiatives in the MHFA program.

6. Deferred operating contributions

Deferred contributions include operating funding received in the current or prior periods that is related to the expenses of future periods and restricted contributions relating to the terms and conditions set out in the Health Canada Funding Agreement. Changes in the deferred contributions balance related to operations are as follows:

	2017	2016
	$	$
Balance, beginning of year	1,146,905	2,820,191
Grants received – Federal core funding	14,243,480	14,250,000
Grants received – Other grants	143,880	215,000
Grants received – MHFA	16,000	255,000
	15,550,265	17,540,191
Less amount recognized as revenue		
Federal core funding	(14,920,916)	(15,728,675)
Other grants	(170,129)	(248,408)
MHFA	(16,000)	(255,000)
	(15,107,045)	(16,232,083)
Amounts related to deferred capital contributions	(363,214)	(161,203)
Balance, end of year	**80,006**	**1,146,905**

7. Deferred capital contributions

Deferred capital contributions include the unamortized portion of capital contributions relating to the terms and conditions set out in the Health Canada Funding Agreements.

The changes for the year in the deferred capital contributions balance reported are as follows:

	2017	2016
	$	$
Balance, beginning of year	1,054,013	1,039,456
Capital contributions	363,214	161,203
Leasehold improvement inducement received	72,000	811,740
Leasehold improvement inducement amortized	(73,380)	(23,875)
Amount recognized as amortization	(128,282)	(599,585)
Write-off of the leasehold improvements in Calgary	–	(334,926)
Balance, end of year	**1,287,565**	**1,054,013**

8. Commitments

The Commission rents premises under operating leases which expire in 2027. Future minimum annual rental payments to the end of the lease terms are as follows:

	$
2018	288,401
2019	288,401
2020	288,401
2021	288,401
2022	292,196
2023 and thereafter	1,576,719
	3,022,519

9. Indemnification

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

10. Financial instruments and related risks

The Commission is exposed to the following risks as a result of holding financial instruments:

Credit risk

The Commission's exposure to credit risk arises from the possibility that the counterparty to a transaction might fail to perform under its contractual commitment, resulting in a financial loss to the Commission.

The Commission is exposed to credit risk on its accounts receivable from another organization. Concentration of credit risk arises as a result of exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political, or other conditions. The Commission monitors credit risk by assessing the collectability of the amounts. Of the accounts receivable amount as at March 31, 2017, $564,284 [2016 – $496,668] relates to accrued interest and other receivables.

The Commission is exposed to credit risk on its cash and short-term deposits. The Commission manages this risk by ensuring compliance with the requirements of its Funding Agreement with Health Canada. Current investments are held in short-term GICs.

Cash and cash equivalents consist of bank balances and short-term deposits with large creditworthy financial institutions.

Market risk

The Commission is exposed to market risk on its short-term deposits. The Commission manages this risk by purchasing short-term deposits with maturities coinciding with planned cash requirements. The anticipated result of this intention to hold short-term deposits to maturity is essentially the elimination of this risk.

Interest rate risk

Interest rate risk arises on cash and cash equivalents and short-term deposits. The Commission is exposed to interest rate risk due to fluctuations in the bank's interest rates.

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to fulfil its obligations as they come due. The Commission manages its liquidity risk by monitoring its operating requirements.

Compensation Disclosure 2016/17

Board of Directors			
Compensation for Board of Directors	**Annual retainer**	**Per diem for meetings where minutes are taken**	**Estimated annual total (based on 6 meeting day/yr)**
Chair (for all Board and Committee duties)	Declined	Declined	Declined
Chairs of the Governance and Nominating, Human Resources and Audit and Finance Board Committees	$5,000	$500	$8,000
Non-government members and Government Appointed Private Citizens	-	$500	$3,000
Travel time (when traveling to a meeting where overnight accommodation is required)	-	$250	$750
Participation in Board/ Board Committee/ sub-committee teleconference >60 minutes	-	$250	$750

Compensation for Senior Leadership			
Position Title	**Annualized base minimum**	**Annualized base midpoint**	**Annualized base maximum**
President & CEO	$220,000	$245,000	$316,000
Vice Presidents	$144,000	$160,000	$200,000
Directors	$111,600	$124,000	$155,000