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, 2016, 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, 2016, 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.

Other matters

The financial statements of the *Mental Health Commission of Canada* for the year ended March 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on September 10, 2015.

Ernst & Young LLP

Ottawa, Canada — Chartered Professional Accountants
June 29, 2016 — Licensed Public Accountants

Statement of financial position

As at March 31

	2016	2015
	$	$
Assets		
Current		
Cash and cash equivalents	1,277,001	–
Short-term deposits [note 3]	403,447	4,022,507
Accounts receivable	1,490,587	202,523
GST/HST receivable	343,851	873,333
Deposits and prepaid expenses	161,867	315,081
Inventory	125,864	40,513
Total current assets	3,802,617	5,453,957
Capital assets, net [note 4]	1,054,013	1,039,456
	4,856,630	6,493,413
Liabilities and net assets		
Current		
Cheques issued in excess of deposits	–	50,846
Accounts payable and accrued liabilities	1,595,001	1,115,284
Deferred program fees MHFA	116,500	90,988
Deferred operating contributions [note 6]	1,146,905	2,820,191
Total current liabilities	2,858,406	4,077,309
Deferred capital contributions [note 7]	1,054,013	1,039,456
Total liabilities	3,912,419	5,116,765
Commitments and contingencies [notes 8 and 9]		
Net assets		
MHFA program development reserve fund [note 5]	(149,923)	282,514
Unrestricted	1,094,134	1,094,134
	944,211	1,376,648
	4,856,630	6,493,413

See accompanying notes

On behalf of the Board

Michael Wilson
Board Chair

James Morrisey
Director

Statement of operations

Year ended March 31

	2016	2015
	$	$
Revenue		
Grant income [note 6]	16,232,083	19,662,402
Mental Health First Aid income	2,830,824	2,156,428
Interest and other income	45,151	71,315
Amortization of deferred capital contributions [note 7]	934,511	644,752
	20,042,569	22,534,897
Expenses		
Salaries and benefits	8,042,882	10,504,559
Services	6,616,107	6,542,155
Travel	967,462	1,575,700
Rent	1,099,481	935,045
Meetings and events	1,308,126	1,204,844
Materials	1,506,437	1,438,999
Amortization of capital assets [note 4]	599,585	644,752
Write-off of leasehold improvements [note 4]	334,926	–
	20,475,006	22,846,054
Deficiency of revenue over expenses for the year	(432,437)	(311,157)

See accompanying notes

Statement of changes net assets

Year ended March 31

	Unrestricted	MHFA program development reserve fund	2016 Total	2015 Total
	$	$	$	$
Balance, beginning of year	1,094,134	282,514	1,376,648	1,687,805
Deficiency of revenue over expenses	(432,437)	–	(432,437)	(311,157)
Reserve transfers	432,437	(432,437)	–	–
Balance, end of year	**1,094,134**	**(149,923)**	**944,211**	**1,376,648**

See accompanying notes

Statement of cash flows

Year ended March 31

	2016	2015
	$	$
Operating activities		
Deficiency of revenue over expenses for the year	(432,437)	(311,157)
Add (deduct) items not affecting cash		
Amortization of deferred capital contributions	(934,511)	(644,752)
Amortization of capital assets	599,585	644,752
Write-off of leasehold improvements	334,926	–
Changes in non-cash working capital accounts		
Decrease (increase) in accounts receivable	(1,288,064)	294,521
Decrease (increase) in GST/HST receivable	529,482	(94,360)
Decrease (increase) in deposits and prepaid expenses	153,214	(15,139)
Decrease (increase) in inventory	(85,351)	19,709
Increase (decrease) in accounts payable and accrued liabilities	479,717	(532,816)
Increase (decrease) in deferred program fees MHFA	25,512	(53,034)
Cash used in operating activities	**(617,927)**	**(692,276)**
Investing activities		
Proceeds from renewal of short-term deposits, net	3,619,060	4,193,328
Purchase of capital assets	(972,943)	(24,057)
Cash provided by investing activities	**2,646,117**	**4,169,271**
Financing activities		
Renewal of contributions spent	(16,232,083)	(19,662,402)
Deferred contributions	14,720,000	14,832,809
Allowance for leasehold improvements	811,740	–
Cash used in financing activities	**(700,343)**	**(4,829,593)**
Net increase (decrease) in cash and cash equivalents during the year	1,327,847	(1,352,598)
Cash and cash equivalents, beginning of year	(50,846)	1,301,752
Cash and cash equivalents, end of year	1,277,001	(50,846)

See accompanying notes

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.

The Commission is funded through a Grant Agreement (“Funding Agreement”) with Health Canada. The agreement calls for $5.5 million of contributions to March 31, 2008, and $121.8 million over the nine years ending March 31, 2017, and relate to the initiatives described above. The contributions are subject to terms and conditions set out in the Funding Agreement.

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 Chartered Professional Accountants of Canada (“CPA Canada”) Handbook.

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, 2016.

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 twelve 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 or until the end of the Funding Agreement (March 31, 2017), whichever is earlier, on a straight-line basis using the following estimated useful lives:

IT infrastructure	5 years
Software	2 years
Office equipment	5 years
Furniture	5 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.

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 $403,447 [2015 – $4,022,507] in Guaranteed Investment Certificates ("GIC") that mature in less than one year and have an average interest rate of 1.30% [2015 – 1.36%].

4. Capital assets

Capital assets are comprised of the following:

			2016	**2015**
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
IT infrastructure	916,327	809,703	106,624	276,867
Software	207,889	206,175	1,714	3,418
Office equipment	253,670	244,569	9,101	24,522
Furniture	935,924	670,881	265,043	74,289
Leasehold improvements	691,880	20,349	671,531	660,360
	3,005,690	**1,951,677**	**1,054,013**	**1,039,456**

During the year, the Commission recognized $599,585 [2015 – $644,752] in amortization expense. The Commission also wrote-off the remaining leasehold improvements of $334,926 relating to the vacated offices in Calgary.

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, 2016, 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.

6. Deferred operating contributions

Deferred contributions include operating funding received in the current or prior periods that are 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:

	2016	**2015**
	$	$
Balance, beginning of year	2,820,191	7,673,841
Grants received – Federal core funding	14,250,000	14,250,000
Grants received – Other grants	215,000	350,005
Grants received – MHFA	255,000	232,804
	17,540,191	22,506,650
Less amount recognized as revenue		
Federal core funding	(15,728,675)	(18,668,936)
Other grants	(248,408)	(306,920)
MHFA	(255,000)	(686,546)
	(16,232,083)	(19,662,402)
Amounts related to deferred capital contributions	(161,203)	(24,057)
Balance, end of year	**1,146,905**	**2,820,191**

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:

	2016	2015
	$	$
Balance, beginning of year	1,039,456	1,660,151
Capital contributions	161,203	24,057
Leasehold improvement allowance	811,740	–
Leasehold improvement allowance amortization	(23,875)	–
Amount recognized as amortization	(599,585)	(644,752)
Write-off of the leasehold improvements in Calgary	(334,926)	–
Balance, end of year	**1,054,013**	**1,039,456**

8. Commitments

The Commission rents premises under operating leases, one of which expires in 2017 and the other in 2027. Future minimum annual rental payments to the end of the lease terms are as follows:

	$
2017	215,976
2018	618,498
2019	618,498
2020	618,498
2021	618,498
2022 and thereafter	3,372,811
	6,062,779

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's amount as at March 31, 2016, $496,668 [2015 – $202,523] 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 fulfill its obligations as they come due. The Commission manages its liquidity risk by monitoring its operating requirements.

11. Subsequent event

The 2015 Federal Budget identified a commitment to fund the Commission for an additional 10 years past its original commitment date of March 31, 2017, up to and including March 31, 2027.

Compensation Disclosure 2015/16

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