

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION (NATIONAL)**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Mental Health Association (National)

Qualified Opinion

We have audited the financial statements of Canadian Mental Health Association (National) (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows 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 organizations, the Entity derives part of its revenue from the general public in the form of donations, 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2020 and March 31, 2019
- the donation revenues and deficiency of revenue over expenses reported in the statements of operations for the years ended March 31, 2020 and March 31, 2019



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- the operating fund, at the beginning and end of the year, reported in the statements of changes in fund balances for the years ended March 31, 2020 and March 31, 2019
- the deficiency of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2020 and March 31, 2019.

Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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.



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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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We 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 our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for 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 the Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- 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 we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 28, 2020

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Financial Position

March 31, 2020, with comparative information for 2019

			2020	2019
	General funds	Externally restricted fund	Total	Total
Assets				
Current assets:				
Cash	\$ 363,601	\$ 237,646	\$ 601,247	\$ 192,695
Short-term investments (note 2)	9,338	–	9,338	76,515
Receivables, net of allowance for doubtful accounts of \$269,931 (2019 - \$10,000) (notes 7 and 8)	370,661	–	370,661	630,593
Publications inventory	–	–	–	26,425
Prepaid expenses	–	–	–	13,444
	743,600	237,646	981,246	939,672
Investments (note 2)	299,795	–	299,795	1,187,402
Intangible asset (note 3)	150,000	–	150,000	150,000
Capital assets (note 4)	66,383	–	66,383	159,764
	\$ 1,259,778	\$ 237,646	\$ 1,497,424	\$ 2,436,838
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (notes 5 and 7)	\$ 457,306	\$ –	\$ 457,306	\$ 643,212
Deferred revenue (note 6)	142,918	237,646	380,564	581,685
	600,224	237,646	837,870	1,224,897
Fund balances:				
Operating fund	(36,829)	–	(36,829)	(527,823)
Capital assets fund	216,383	–	216,383	309,764
Internally restricted fund	480,000	–	480,000	1,430,000
	659,554	–	659,554	1,211,941
Commitments (note 9)				
Subsequent event (note 12)				
	\$ 1,259,778	\$ 237,646	\$ 1,497,424	\$ 2,436,838

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member

_____ Member

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

				2020	2019
	Operating fund	Externally restricted fund	Capital assets fund	Total	Total
Revenue:					
Support from provincial divisions (note 7)	\$ 222,941	\$ -	\$ -	\$ 222,941	\$ 218,750
Corporation sponsorship	123,750	-	-	123,750	251,824
Donations	1,084,114	-	-	1,084,114	952,269
Bequests	698,468	-	-	698,468	220,570
Publication sales	1,773	-	-	1,773	71,662
Investment income	5,795	-	-	5,795	100,607
Conference	610,649	-	-	610,649	758,799
Program revenue (note 10)	2,144,041	313,270	-	2,457,311	2,264,288
Charges to pension plan (note 8)	-	-	-	-	12,000
Other	165,848	-	-	165,848	133,603
	5,057,379	313,270	-	5,370,649	4,984,372
Expenses:					
Salaries and benefits (note 8)	2,498,494	238,320	-	2,736,814	2,285,432
Purchased services (note 7)	1,580,020	-	-	1,580,020	2,000,651
Annual conference	657,538	50,000	-	707,538	592,754
Office and administration cost (note 8)	292,871	24,950	-	317,821	396,063
Bad debts	228,481	-	-	228,481	2,507
Building occupancy	127,534	-	-	127,534	92,460
National board and committees	111,202	-	-	111,202	143,685
Amortization of capital assets	-	-	73,841	73,841	77,648
Loss on disposal of capital assets	19,540	-	-	19,540	-
Equipment leasing and maintenance	11,287	-	-	11,287	10,001
Memberships, subscriptions and fees	8,958	-	-	8,958	12,027
Public education materials	-	-	-	-	18,396
	5,535,925	313,270	73,841	5,923,036	5,631,624
Deficiency of revenue over expenses	\$ (478,546)	\$ -	\$ (73,841)	\$ (552,387)	\$ (647,252)

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

2020	Operating fund	Externally restricted fund	Capital assets fund	Internally restricted fund	Total
Fund balances, beginning of year	\$ (527,823)	\$ –	\$ 309,764	\$ 1,430,000	\$ 1,211,941
Deficiency of revenue over expenses	(478,546)	–	(73,841)	–	(552,387)
Inter-fund transfer (note 1(f))	950,000	–	–	(950,000)	–
Loss on disposal of capital assets	19,540	–	(19,540)	–	–
Fund balances, end of year	\$ (36,829)	\$ –	\$ 216,383	\$ 480,000	\$ 659,554

2019	Operating fund	Externally restricted fund	Capital assets fund	Internally restricted fund	Total
Fund balances, beginning of year	\$ 220,185	\$ –	\$ 209,008	\$ 1,430,000	\$ 1,859,193
Deficiency of revenue over expenses	(569,604)	–	(77,648)	–	(647,252)
Purchase of capital assets	(178,404)	–	178,404	–	–
Fund balances, end of year	\$ (527,823)	\$ –	\$ 309,764	\$ 1,430,000	\$ 1,211,941

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

			2020	2019
	General funds	Externally restricted fund	Total	Total
Cash flows from operating activities:				
Deficiency of revenue over expenses	\$ (552,387)	\$ –	\$ (552,387)	\$ (647,252)
Amortization of capital assets	73,841	–	73,841	77,648
Loss on disposal of capital assets	19,540	–	19,540	–
Change in non-cash operating working capital:				
Receivables	259,932	–	259,932	(145,604)
Publications inventory	26,425	–	26,425	29,485
Prepaid expenses	13,444	–	13,444	120,350
Accounts payable and accrued liabilities	(185,906)	–	(185,906)	73,760
Deferred revenue	142,918	(344,039)	(201,121)	161,054
Cash flows used in operating activities	(202,193)	(344,039)	(546,232)	(330,559)
Cash flows from investing activities:				
Decrease in investments	954,784	–	954,784	375,085
Purchase of capital assets	–	–	–	(178,404)
Cash flows provided by investing activities	954,784	–	954,784	196,681
Increase (decrease) in cash	752,591	(344,039)	408,552	(133,878)
Cash (indebtedness), beginning of year	(388,990)	581,685	192,695	326,573
Cash, end of year	\$ 363,601	\$ 237,646	\$ 601,247	\$ 192,695

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements

Year ended March 31, 2020

Canadian Mental Health Association (National) (the "Association") was incorporated under Letters Patent of Canada in 1926 as a registered charity. The Association is a national association that exists to promote mental health of all and support the recovery and resilience of people experiencing mental illness.

Provincial/territorial divisions of the Association were established to deal with the affairs of the Association, which are deemed to be of a provincial or territorial nature. The Association is responsible for the affairs at the national level and works closely with all levels of the Association to achieve its mandate. These financial statements comprise the accounts of the Association. The results of Canadian Mental Health Association provincial divisions and branches are not included in these financial statements as they are not controlled by the Association.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), using the deferral method of accounting for contributions.

(b) Revenue recognition:

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. Donation revenue is recognized when received, since pledges are not legally enforceable claims. Publication sales are recognized when the related products are delivered to customers. Fee-based revenue from Canadian Mental Health Association provincial divisions and branches for use of the Association's national website platform is recognized evenly over the twelve-month period, as the provincial divisions and branches utilize the service throughout the year.

(c) Operating fund:

The operating fund accounts for the Association's program delivery and administrative activities.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Externally restricted fund:

Externally restricted contributions represent funds received under the terms of a funding agreement for specific programs and research projects and are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are recognized or the specified milestones have been achieved.

(e) Capital assets fund:

All capital assets are reported in the capital assets fund. Amortization expense is reported in this fund.

(f) Internally restricted fund:

In accordance with the Internally Restricted Reserve Policy approved by the board of directors, internally restricted funds consist of a Contingency reserve to be maintained at an amount equal to a minimum of nine months operating expenses of the Association, currently estimated by management to be \$4,400,000 (2019 - \$2,200,000) and a Strategic Initiative reserve to be maintained in the amount of \$100,000 (2019 - \$100,000). Given the current year operating deficit and the negative operating fund balance, the required increase in the contingency reserve was not able to be made.

During the year, the Association transferred \$950,000 (2019 - nil) from the internally restricted fund to the operating fund in order to fund operations.

Funds in the contingency reserve are held at the discretion of the Board of Directors and may be utilized only upon approval by the Board of Directors. Funds held in the strategic initiative reserve are held at the discretion of the Board of Directors but may be utilized upon approval of the Chief Executive Officer of the Association.

(g) Contributed materials and services:

Contributed materials and services are recognized only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(h) Deferred revenue:

The Association receives certain amounts during the year from corporations and individuals, the proceeds of which may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year that the related expenses are incurred or services performed. In addition, the Association receives amounts from Canadian Mental Health Association provincial divisions and branches for use of the Association's national website platform for the following fiscal year.

(i) Financial instruments:

The Association records each of its financial instruments as follows:

Asset/liability	Measurement
Cash	Fair value
Investments	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

(j) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated lives of the assets using the following basis and annual rates:

Asset	Basis	Rate
Office furniture	Declining balance	20%
Computers and equipment	Declining balance	30%
Website	Straight line	3 years
Leasehold improvements	Straight line	Term of lease

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(k) Intangible asset:

The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

(l) Impairment of long-lived assets:

Long-lived assets, including capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds the sum of its estimated undiscounted future cash flows, it is considered impaired. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Association uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(m) Management estimates:

The preparation of financial statements in conformity with ASNPO 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 year. Actual results could differ from such estimates.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Investments:

(a) An analysis of the carrying value of investments is as follows:

2020	Within 1 year	Over 1 year	No specific maturity	Carrying value
Cash and cash equivalents	\$ 9,338	\$ –	\$ –	\$ 9,338
Fixed income	–	186,994	–	186,994
Equities	–	–	112,801	112,801
	\$ 9,338	\$ 186,994	\$ 112,801	\$ 309,133

2019	Within 1 year	Over 1 year	No specific maturity	Carrying value
Cash and cash equivalents	\$ 76,515	\$ –	\$ –	\$ 76,515
Fixed income	–	699,144	–	699,144
Equities	–	–	488,258	488,258
	\$ 76,515	\$ 699,144	\$ 488,258	\$ 1,263,917

(b) The cost and fair value of investments are as follows:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 8,875	\$ 9,338	\$ 76,443	\$ 76,515
Fixed income	187,621	186,994	699,875	699,144
Equities	107,560	112,801	378,947	488,258
	\$ 304,056	\$ 309,133	\$ 1,155,265	\$ 1,263,917

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Intangible asset:

On December 1, 2017, the Association purchased from the Canadian Mental Health Association, B.C Division, all rights in the trademark and logo associated with the Ride Don't Hide fundraising event, for consideration of \$150,000.

On June 30, 2017, the Association received contributed intangible assets in the form of goodwill and client list related to a mental health initiative called Not Myself Today. Management has not recorded any amounts related to these contributed intangible assets in the financial statements as the fair value was assessed to be nominal.

On September 1, 2017, the Association received contributed intangible assets in the form of right, intellectual property, and goodwill related to a mental health initiative called the Peer Support Canada Program. Management has not recorded any amounts related to these contributed intangible assets in the financial statements as the fair value was assessed to be nominal.

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture	\$ -	\$ -	\$ -	\$ 626
Computers and equipment	168,518	157,242	11,276	46,933
Website	165,320	110,213	55,107	110,213
Leasehold improvements	-	-	-	1,992
	\$ 333,838	\$ 267,455	\$ 66,383	\$ 159,764

During the year, the Association was informed they were named the beneficiary of an estate that includes land and buildings in the appraised amount of \$270,000. As the estate is undergoing probate and other legal proceedings in the normal course, the Association does not have access to nor any rights to direct the use of the assets as of March 31, 2020 and, therefore, no amounts have been recognized as it relates to the land and buildings as of March 31, 2020.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of nil (2019 - \$68,047), which relates to payroll remittances.

6. Deferred revenue:

	2020	2019
Externally restricted funds (a)	\$ 237,646	\$ 322,915
General funds (b)	142,918	231,420
Website platform (c)	–	27,350
	\$ 380,564	\$ 581,685

(a) Deferred revenue relates to programs and research projects. Each of these projects is defined in its own funding agreement, which provides conditions for grant/contribution and the eligible expenditure budget.

The following summary reports the activity related to each of these deferred revenues:

	Balance, beginning of year	Grants and other income	Disbursements	Balance, end of year
Freddie Ford Fund	\$ 13,309	\$ –	\$ –	\$ 13,309
Other	5,000	–	–	5,000
RBC Headstrong National Workplace Initiatives	75,000	200,000	(105,163)	169,837
MHCC Projects	50,000	–	(50,000)	–
Campus Naloxone Project	121,450	–	(99,950)	21,500
BDC Entrepreneurs Project	20,000	–	(20,000)	–
Cannabis Project	15,000	–	(15,000)	–
Women's College Project	–	28,000	–	28,000
	23,156	–	(23,156)	–
	\$ 322,915	\$ 228,000	\$ (313,269)	\$ 237,646

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Deferred revenue (continued):

(b) The following summary reports the activity related deferred revenue in the general fund:

	Balance, beginning of year	Grants and other income	Disbursements	Balance, end of year
Ride Don't Hide	\$ 84,495	\$ 83,999	\$ (84,495)	\$ 83,999
National Conference	146,925	522,643	(610,649)	58,919
	\$ 231,420	\$ 606,642	\$ (695,144)	\$ 142,918

(c) The Association offers fee-based access to the Association's national website platform to provincial divisions and branches of Canadian Mental Health Association. As at March 31, 2020, funds received in advance relating to this program amounted to nil (2019 - \$27,350).

7. Inter-divisional transactions with Ontario Division:

The Canadian Mental Health Association - Ontario Division provided corporate services to the Association in accordance with a Purchase of Service Agreement ("Agreement"). The Association was charged nil (2019 - \$129,229), included in purchased services, relating to corporate services under the Agreement and other incidental costs and services. The Agreement ended with an effective date of March 31, 2019.

An amount of nil (2019 - \$38,869) are included in accounts payable and accrued liabilities relating to the Agreement.

Included in support from provincial divisions is \$93,878 (2019 - \$93,878) relating to annual fees received from the Canadian Mental Health Association - Ontario Division, all of which was paid at year end.

An amount of \$22,996 (2019 - \$15,646) is included in receivables relating to other incidental costs and services.

All inter-divisional transactions and balances between the Association and Canadian Mental Health Association - Ontario Division are recorded at the exchange amount.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Pension plan:

After completing twelve months of service, all full-time employees of the Association are offered the option to become members of The Canadian Mental Health Association Pension Plan (the "Plan"), which is a multi-employer defined contribution pension plan for the Association's employees across the country. Employer contributions made to the pension plan during the year by the Association amounted to \$67,611 (2019 - \$66,389). These amounts are included in salaries and benefits in the statement of operations.

During the year, with the termination of the Agreement in note 7, the Association no longer maintains the administration of the Plan. The Association was charged \$2,088 (2019 - nil) from the Plan for administration, the Association charged the pension plan nil (2019 - \$12,000) for expenses relating to its administration, of which nil (2019 - \$3,000) was included in receivables as at year end.

9. Commitments:

The Association rents premises with minimum aggregate annual commitments, exclusive of harmonized sales tax, realty taxes and operating costs, as follows:

2021	\$ 47,345
2022	2,232
2023	1,860
	<hr/>
	\$ 51,437

10. Program revenue:

Program revenue relates to revenue generated from the Not Myself Today, Peer Support Program, Workplace Program, Ride Don't Hide and Other funding in the amount of \$1,513,434, \$357,838, \$209,026, \$209,218 (\$1,135,154 collected and \$925,936 paid out to divisions), and \$167,795, respectively (note 3).

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Financial risks:

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 the 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:

(a) 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 investments held by the Association have a limited exposure to interest rate risk due to their short-term maturity. The Association has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

(b) 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. The Association seeks to minimize the adverse effects of this risk by regularly monitoring the performance of investments and diversifying the investment portfolio within the constraints of the Association's investment policies.

(c) Market risk:

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

(d) Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association's investments include \$33,010 (2019 - \$141,021) in U.S. equities, the value of which fluctuates in part due to changes in foreign exchange rates.

CANADIAN MENTAL HEALTH ASSOCIATION (NATIONAL)

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Subsequent event:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Association has experienced minimal impact from COVID-19 regarding future cash flows and has made adjustments to minimize the impact on its program offerings. The Association had adapted by facilitating staff to work from home and providing services remotely. The impact of the pandemic to the Association's March 31, 2020 financial statements was minimal. Management has assessed that the overall impact to the Association for the fiscal 2021 year will not be significant; however, there is an anticipated reduction in revenue and cash flow from the conference and other in-person programming such as the Ride Don't Hide and Not Myself Today workplace mental health programs.

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.