

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Financial Statements
For the Year Ended March 31, 2018**

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Independent Auditor's Report

**To the Members of
Canadian Mental Health Association
Shuswap / Revelstoke Branch**

We have audited the accompanying financial statements of Canadian Mental Health Association, which comprise of the statement of financial position as at March 31, 2018, and the statements of changes in net assets (deficiency), operations, 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.

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 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 presentation of the financial statements.

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



Basis for Qualified Opinion

In common with many non-profit organizations, Canadian Mental Health Association derives revenue from private cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Mental Health Association. Therefore, we were unable to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for non-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

BDO Canada LLP

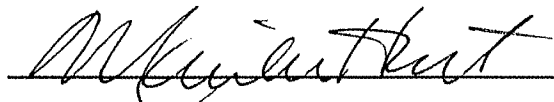

Chartered Professional Accountants

**Salmon Arm, British Columbia
June 18, 2018**

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Statement of Financial Position**

March 31	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 158,995	\$ 136,316
Accounts receivable	33,431	5,446
Prepaid expenses	3,943	1,484
Due from related party (Note 6)	13,482	21,212
Other investment	-	9,100
	<u>209,851</u>	<u>173,558</u>
Long-term investments (Note 3)	185,568	181,073
Capital assets (Note 4)	<u>1,373,132</u>	<u>1,419,850</u>
	<u>\$ 1,768,551</u>	<u>\$ 1,774,481</u>
Liabilities and Net Assets (Deficiency)		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 164,082	\$ 131,387
Deferred revenue	2,285	-
Prepaid rent	15,364	2,486
Current portion of deferred contributions (Note 8)	5,504	5,733
Current portion of long-term debt (Note 9)	<u>80,250</u>	<u>75,050</u>
	267,485	214,656
Deferred contributions (Note 8)	132,092	137,596
Long-term debt (Note 9)	<u>715,604</u>	<u>798,183</u>
	<u>1,115,181</u>	<u>1,150,435</u>
Net Assets (Deficiency)		
Invested in capital assets	439,684	403,289
Internally restricted for future expenditures	185,568	234,680
Restricted for Foxridge expenditures	21,738	25,612
Unrestricted	<u>6,380</u>	<u>(39,535)</u>
	<u>653,370</u>	<u>624,046</u>
	<u>\$ 1,768,551</u>	<u>\$ 1,774,481</u>

Approved on behalf of the Board:

 _____ Director
 _____ Director

The accompanying notes are an integral part of these financial statements.

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Statement of Changes in Net Assets (Deficiency)**

<u>For the year ended March 31</u>					<u>2018</u>	<u>2017</u>
	Invested in Capital Assets	Internally Restricted for Future Expenditures	Restricted for Foxridge Expenditures	Unrestricted	Total	Total
Balance, beginning of year	\$ 403,289	\$ 234,680	\$ 25,612	\$ (39,535)	\$ 624,046	\$ 585,333
Excess (deficiency) of revenue over expenditures for the year	(48,983)	-	(2,766)	79,314	27,565	36,630
Investment in capital assets	2,266	-	-	(2,266)	-	-
Long-term debt repayments	77,379	-	-	(77,379)	-	-
Net deferred contributions	5,733	-	-	(5,733)	-	-
Transfer to (from) unrestricted fund	-	(49,112)	(2,867)	51,979	-	-
Subsidy adjustment (Note 12)	-	-	1,759	-	1,759	2,082
Balance, end of year	\$ 439,684	\$ 185,568	\$ 21,738	\$ 6,380	\$ 653,370	\$ 624,045

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Statement of Operations**

For the year ended March 31	2018	2017
		(Note 15)
Revenue		
BC Housing subsidy	\$ 9,672	\$ 7,980
BC Ministry of Health - Gatekeeper	110,999	105,007
Donations	18,410	13,379
Grants	18,399	32,570
Interest income	5,200	3,824
Interior Health Authority	619,238	611,956
Other	39,826	32,873
Property management (Note 6)	203,066	184,056
Rent	286,439	290,667
Thrift Shoppe	156,539	147,612
	<u>1,467,788</u>	<u>1,429,924</u>
Expenditures		
Advertising	6,454	3,901
Board expenses	6,090	4,880
Insurance	14,301	14,123
Interest on long-term debt	31,189	34,055
Licenses, dues and fees	6,297	5,258
Office	19,782	35,849
Professional fees	17,918	40,623
Program costs	127,737	114,494
Repairs and maintenance	31,378	46,650
Staff development	14,357	7,542
Strata fees	53,258	53,258
Travel	11,219	8,383
Utilities	71,675	73,321
Vehicle	4,234	6,716
Wages and benefits	975,351	895,884
	<u>1,391,240</u>	<u>1,344,937</u>
Excess of revenue over expenditures from operations	76,548	84,987
Amortization	(48,983)	(49,509)
Unrealized gain on investments	-	1,152
Excess of revenue over expenditures for the year	\$ 27,565	\$ 36,630

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Statement of Cash Flows**

For the year ended March 31	2018	2017
Cash flows from operating activities		
Cash received from Interior Health Authority	\$ 615,790	\$ 634,384
Cash received from tenants	298,766	289,863
Cash received from services	619,924	480,417
Cash received from donations	18,410	8,333
Cash received from BC Housing	11,431	10,062
Cash paid for operations	(1,448,329)	(1,317,143)
Interest received	5,200	3,824
Interest paid	(31,203)	(24,055)
	<u>89,989</u>	<u>85,685</u>
Cash flows from investing activities		
Purchase of capital assets	(2,266)	(16,780)
Change in amount due to related party	7,730	(21,212)
Acquisition of long-term investments	(4,495)	(3,318)
Proceeds from long-term investments	9,100	-
	<u>10,069</u>	<u>(41,310)</u>
Cash flows from financing activity		
Change in amount due to related party	-	(4,659)
Long-term debt principal repayments	(77,379)	(74,536)
	<u>(77,379)</u>	<u>(79,195)</u>
Increase (decrease) in cash during the year	22,679	(34,820)
Cash, beginning of year	136,316	171,136
Cash, end of year	\$ 158,995	\$ 136,316
Cash is represented by:		
Cash - restricted	\$ 21,739	\$ 25,612
Cash - unrestricted	137,256	110,704
	<u>\$ 158,995</u>	<u>\$ 136,316</u>

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Business The Canadian Mental Health Association Shuswap / Revelstoke Branch (Association) is a not-for-profit organization incorporated under the Society Act of British Columbia. The Association is a registered charity under the Income Tax Act and operates several programs to support people with mental health issues in the Shuswap / Revelstoke areas.

Basis of Accounting The Association has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition The Association 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 assured.

Contributions received from the Canadian Mental Health Association, BC Division, for the Gatekeeper program are externally restricted.

Deferred contributions for capital asset acquisitions are amortized to revenue on the same basis as the related capital asset.

Rent and Thrift Shoppe revenue is recognized when the price is fixed or determinable, collectibility is reasonably assured and the service or good has been provided to the tenant or customer.

Capital Assets Capital assets have been recorded at cost. If events or circumstances indicate that the carrying value of the capital assets may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the capital assets. If the analysis indicates that the carrying value is not recoverable from future cash flows, the capital assets are written down to estimated fair value and an impairment loss is recognized. Cost includes all amounts related to the acquisition and improvements of the capital assets including replacement of equipment. All costs associated with upgrading the existing capital assets, other than ordinary repairs and maintenance, are capitalized and amortized over their expected useful lives. Amortization based on the estimated useful life of the assets is provided on the diminishing balance basis as follows:

Buildings	4%
Computers	30%
Equipment, furnishings and signage	20%
Vehicles	30%

Continued ...

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies - continued

Capital Assets - continued	Assets which were purchased in order to provide certain programs according to contracts, have not been capitalized but have been shown as an expenditure in the year of acquisition. Assets are amortized at one half the above rates in the year of acquisition.
Inventory	The Association does not record the inventory of its donated clothing and household goods as there is minimal or no cost to the Association for these items.
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.
Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include the valuation of accounts receivable, completeness of accounts payable and accrued liabilities and amortization of capital assets.

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

2. Cash

- a) The Association's bank accounts are held by one financial institution. The bank accounts earn interest from 0% to 0.80% (2017 - 0% to 0.40%).
- b) The Association has available an operating line of credit in the amount of \$ 10,000 (2017 - \$ 10,000) bearing interest at prime (2017 - prime). As of March 31, 2018, the Association had undrawn capacity, under this facility, of \$ 10,000 (2017 - \$ 10,000).

The bank's prime rate as at March 31, 2018 was 3.45% (2017 - 2.70%).

3. Long-term Investments

- a) The Association's long-term investments consist of internally restricted funds to be used for specific purposes as outlined by the Board.
- b) The long-term investments earn interest from 2.21% to 3.28% (2017 - 2.21% to 2.70%) and have maturity dates ranging from February 2019 to February 2023.

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 309,484	\$ -	\$ 309,484	\$ -
Buildings	1,713,448	670,761	1,713,448	627,316
Computers	44,787	43,267	44,787	42,615
Equipment, furnishings and signage	125,256	105,956	122,991	101,131
Vehicles	34,429	34,288	34,429	34,227
	<u>\$ 2,227,404</u>	<u>\$ 854,272</u>	<u>\$ 2,225,139</u>	<u>\$ 805,289</u>
Net book value		<u>\$ 1,373,132</u>		<u>\$ 1,419,850</u>

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$ 34,851 (2017 - \$ 11,580).

6. Related Party Transactions

The Association has entered in to an agreement to provide property management services to Shuswap Independent Living Association, an entity under common control. Property management revenue represents reimbursements of payroll expenses incurred by the Association for performing the property management function as well as reimbursements for administration costs. The total revenue received of \$ 203,066 (2017 - \$ 184,056) was reported as property management revenue in the year. The agreement does not have an expiry date and is subject to changes as agreed upon by the Association and the Shuswap Independent Living Association.

7. Commitments

The Association has a rental commitment with monthly payments of \$ 613 ending March 2019.

8. Deferred Contributions

In 2009, the Association entered into a Residential Rehabilitation Assistance Agreement (RRAP) with Canada Mortgage and Housing Corporation (CMHC). Under the terms of the agreement, the Association was loaned funds to complete repairs on the properties owned by the Association. The forgivable loan, in the amount of \$ 170,966, will be earned over a fourteen-year period commencing from the first day of the month, following the final advance of the loan funds. If the Association were to sell or transfer the property during the fourteen-year period, without informing CMHC, the outstanding balance of the loan, including the unearned forgivable portion plus interest at 8.00%, would become due and payable.

For accounting purposes, contributions are amortized to revenue on the same basis as the related capital asset.

	<u>2018</u>	<u>2017</u>
Residential Rehabilitation Assistance Agreement contributions	\$ 123,334	\$ 128,473
Other capital contributions	19,995	20,828
Amortization of deferred contributions	<u>(5,733)</u>	<u>(5,972)</u>
Balance, end of year	137,596	143,329
Current portion	<u>5,504</u>	<u>5,733</u>
	<u>\$ 132,092</u>	<u>\$ 137,596</u>

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

9. Long-term Debt

	<u>2018</u>	<u>2017</u>
Mortgage, repayable \$ 1,866 monthly including interest at 3.75%, secured by land and building with a carrying value of \$ 261,583 and assignment of rents, due November 2019	\$ 165,624	\$ 181,479
Mortgage, repayable \$ 1,684 monthly including interest at 3.75%, secured by land and building with a carrying value of \$ 520,604, due November 2019	149,531	163,837
Mortgage, repayable \$ 1,500 monthly including interest at 3.75%, secured by land and building with a carrying value of \$ 520,604, due November 2019	123,867	136,953
Mortgage, repayable \$ 4,018 monthly including interest at 3.75%, secured by land and buildings with a carrying value of \$ 569,985 assignment of rents and fire insurance, due November 2019	<u>356,832</u>	<u>390,964</u>
	795,854	873,233
Current portion	<u>80,250</u>	<u>75,050</u>
	<u>\$ 715,604</u>	<u>\$ 798,183</u>

Principal payments due in the next two years are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 80,250
2020	<u>715,604</u>
	<u>\$ 795,854</u>

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

10. Economic Dependence

The Association received 42% (2017 - 43%) of its revenue from the Interior Health Authority.

11. Pension Plan

The Association and some of its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the plan has about \$193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

Canadian Mental Health Association Shuswap / Revelstoke Branch paid \$ 59,100 (2017 - \$ 63,300) for employer contributions to the Plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

12. Subsidy Adjustment

BC Housing conducts annual reviews of the Association's financial statements and may adjust for any operating surplus or deficit. Prior year adjustments are recognized in equity in the year they are determined.

**Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Financial Statements**

March 31, 2018

13. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of long-term debt.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is exposed to credit risk arising from its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Association encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Association will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long-term debt.

There have been no changes to the risk exposure of the Association from the prior year.

14. Wages, Honoraria and Benefits

The Society Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors.

Included in wages and benefits are two employees (2017 - one employee) with remuneration over \$ 75,000 each. The total remuneration paid to these individuals for the year ended March 31, 2018 were \$ 183,204 (2017 - \$ 111,584). No honoraria were paid to members of the Board of Directors for the 2018 and 2017 years.

15. Comparative Figures

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