

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Client Information Package
For the Year Ended March 31, 2020

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Canadian Mental Health Association
Shuswap / Revelstoke Branch
Non-Consolidated Financial Statements
For the Year Ended March 31, 2020

Contents

Independent Auditor's Report	1-3
Non-Consolidated Financial Statements	
Non-Consolidated Statement of Financial Position	4
Non-Consolidated Statement of Changes in Net Assets (Deficiency)	5
Non-Consolidated Statement of Operations	6
Non-Consolidated Statement of Cash Flows	7
Notes to Non-Consolidated Financial Statements	8-18
Schedule 1 - Summary of Revenue and Expenditures by Program (Unaudited)	19
Schedule 2 - General (Unaudited)	20
Schedule 3 - Rehabilitation (Unaudited)	21
Schedule 4 - 4th Avenue Contract (Unaudited)	22
Schedule 5 - Foxridge (Unaudited)	23



Independent Auditor's Report

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

Report on the Audit of the Non-Consolidated Financial Statements

Opinion

We have audited the Non-Consolidated Financial Statements of Canadian Mental Health Association Shuswap / Revelstoke Branch (Association), which comprise the Non-Consolidated Statement of financial position as at March 31, 2020, and the Non-Consolidated Statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Non-Consolidated Financial Statements present fairly, in all material respects, the financial position of the Canadian Mental Health Association as at March 31, 2020 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.

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, 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the Non-Consolidated Financial Statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

Other Matters

We draw attention to the fact that the supplementary information included in Schedule 1 to 5 does not form part of the Non-Consolidated Financial Statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any form of assurance on this supplementary information.



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

Management is responsible for the preparation and fair presentation of these Non-Consolidated 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 Non-Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Non-Consolidated Financial Statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Non-Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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. 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 these Non-Consolidated 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 Non-Consolidated 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Non-Consolidated 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 auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Non-Consolidated Financial Statements, including the disclosures, and whether the Non-Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.



We 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act of 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 22, 2020

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

March 31 **2020** **2019**

Assets

Current

Cash (Note 2)	\$ 302,969	\$ 253,185
Accounts receivable (Note 3)	944,357	4,220
Prepaid expenses	8,009	23,470
Due from related party (Note 7)	725	3,263
Short-term investments (Note 4)	30,632	51,248
	1,286,692	335,386

Long-term investments (Note 4)	164,659	139,014
Capital assets (Note 5)	10,789,423	1,329,802
	\$12,240,774	\$ 1,804,202

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$ 1,760,747	\$ 171,846
Deferred contributions (Note 8)	23,750	10,634
Prepaid rent	11,557	16,448
Convertible construction loan (Note 9)	2,218,080	-
Current portion of deferred capital contributions (Note 10)	5,073	5,284
Current portion of long-term debt (Note 11)	98,100	715,523
	4,117,307	919,735

Deferred capital contributions (Note 10)	6,821,735	126,808
Long-term debt (Note 11)	530,313	-
	11,469,355	1,046,543

Net Assets

Invested in capital assets	1,116,122	482,187
Internally restricted for future expenditures	195,291	190,262
Restricted for Foxridge expenditures	801	16,873
Unrestricted	(540,795)	68,337
	771,419	757,659
	\$12,240,774	\$ 1,804,202

Approved on behalf of the Board:

Sylvia Siemens Director

M. Kuntz Director

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

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

For the year ended March 31					2020	2019	
	Invested in Capital Assets	Internally Restricted for Future Expenditures	Restricted for Foxridge Expenditures	Unrestricted	Total	Total	
Balance, beginning of year	\$ 482,187	\$ 190,262	\$ 16,873	\$ 68,337	\$ 757,659	\$ 653,370	
Excess (deficiency) of revenue over expenditures for the year	(44,023)	-	(17,884)	73,855	11,948	109,154	
Investment in capital assets	9,503,644	-	-	(9,503,644)	-	-	
Change in debt	(2,130,970)	-	-	2,130,970	-	-	
Net deferred capital contributions	(6,694,716)	-	-	6,694,716	-	-	
Transfer to (from) unrestricted fund	-	5,029	-	(5,029)	-	-	
Subsidy adjustment (Note 16)	-	-	1,812	-	1,812	232	
Balance, end of year	\$ 1,116,122	\$ 195,291	\$ 801	\$ (540,795)	\$ 771,419	\$ 762,756	

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

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Non-Consolidated Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Interior Health Authority	\$ 697,492	\$ 666,058
Rent	285,042	286,656
Property management (Note 7)	259,609	246,814
Thrift Shoppe	151,171	155,956
Other	56,285	40,055
Donations	46,212	31,548
Grants	23,188	11,013
BC Housing subsidy	17,256	12,792
Interest income	6,738	5,795
BC Ministry of Health - Gatekeeper	-	78,683
	<u>1,542,993</u>	<u>1,535,370</u>
Expenditures		
Advertising	2,267	4,801
Board expenses	4,819	5,426
Insurance	16,223	14,788
Interest on long-term debt	25,462	28,234
Licenses, dues and fees	6,786	6,835
Office	22,958	24,971
Professional fees	39,918	12,169
Program costs	116,254	124,506
Repairs and maintenance	31,003	41,269
Staff development	12,870	7,031
Strata fees	53,258	53,258
Travel and Vehicle	8,604	15,176
Utilities	71,506	67,371
Wages and benefits	1,075,094	979,108
	<u>1,487,022</u>	<u>1,384,943</u>
Excess of revenue over expenditures from operations	55,971	150,427
Amortization	<u>(44,023)</u>	<u>(46,370)</u>
Excess of revenue over expenditures for the year	<u>\$ 11,948</u>	<u>\$ 109,154</u>

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Non-Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Cash received from Interior Health Authority	\$ 697,492	\$ 665,025
Cash received from tenants	280,151	287,740
Cash received from services	427,255	695,567
Cash received from donations	46,212	31,548
Cash received from BC Housing	58,640	13,024
Cash paid for operations	(1,472,242)	(1,501,666)
Interest received	6,738	5,795
Interest paid	(25,462)	(28,234)
	<u>18,784</u>	<u>168,799</u>
Cash flows from investing activities		
Purchase of capital assets	(6,859,807)	(3,039)
Change in amount due to related party	2,538	13,455
Acquisition of investments	(5,029)	(4,694)
	<u>(6,862,298)</u>	<u>5,722</u>
Cash flows from financing activity		
Loans from BC housing	6,980,408	-
Long-term debt principal repayments	(87,110)	(80,331)
	<u>6,893,298</u>	<u>(80,331)</u>
Increase in cash during the year	49,784	94,190
Cash, beginning of year	<u>253,185</u>	<u>158,995</u>
Cash, end of year	<u>\$ 302,969</u>	<u>\$ 253,185</u>
Cash is represented by:		
Cash - restricted	\$ 801	\$ 16,873
Cash - unrestricted	<u>302,168</u>	<u>236,312</u>
	<u>\$ 302,969</u>	<u>\$ 253,185</u>

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

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 Non-Consolidated 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.

Deferred capital 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 Non-Consolidated Financial Statements

March 31, 2020

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 Non-Consolidated Statement of financial position date and charged to the financial instrument for those measured at amortized cost.
- Use of Estimates The preparation of Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated Financial Statements

March 31, 2020

2. Cash

- a) The Association's bank accounts are held by one financial institution. The bank accounts earn interest from 0% to 0.40% (2019 - 0% to 0.80%).
- b) The Association has available an operating line of credit in the amount of \$ 10,000 (2019 - \$ 10,000) bearing interest at prime (2019 - prime). As of March 31, 2020, the Association had undrawn capacity, under this facility, of \$ 10,000 (2019 - \$ 10,000).

The bank's prime rate as at March 31, 2020 was 2.45% (2019 - 3.95%).

3. Accounts Receivable

Included in accounts receivable are amounts receivable from British Columbia Housing Management Corporation related to the new development (Note 5) for work-in-progress of \$858,474.

4. Investments

- a) The Association's investments consist of internally restricted funds to be used for specific purposes as outlined by the Board.
- b) The investments include various GIC's and earn interest from 2.27% to 3.28% (2019 - 2.19% to 3.28%) and have maturity dates ranging from January 2021 to February 2025.

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,521,694	\$ -	\$ 309,484	\$ -
Buildings	10,004,883	752,508	1,713,448	712,468
Computers	44,787	44,042	44,787	43,723
Equipment, furnishings and signage	128,295	113,756	128,295	110,120
Vehicles	34,429	34,359	34,429	34,330
	<u>\$11,734,088</u>	<u>\$ 944,665</u>	<u>\$ 2,230,443</u>	<u>\$ 900,641</u>
Net book value		<u>\$10,789,423</u>		<u>\$ 1,329,802</u>

Included in Buildings are the Larch Place, Birch Place, and Cedar Place of \$ 8,291,435 which are not being amortized as they are still in construction and not available for use.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$ 25,101 (2019 - \$ 37,307).

7. Related Party Transactions

The Association has entered in to an agreement to provide property management services to Shuswap Independent Living Association ("SILA"), 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 \$ 259,609 (2019 - \$ 246,814) was reported as property management revenue in the year. At year-end there was \$ 725 (2019 - \$ 3,263) receivable from SILA and this amount is due on demand. 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.

8. Deferred Revenue

Deferred revenue represents contributions received for future expenditures. Changes in deferred revenue are as follows:

	2020	2019
Beginning balance	\$ 10,634	\$ 10,634
Less: amounts recognized as revenue in the year	(10,634)	-
Add: Restricted amount received for subsequent periods	23,750	-
Ending balance	\$ 23,750	\$ 10,634

Included in deferred revenue are \$18,750 from SPARC BC and \$5,000 from the Rotary Club, both restricted towards future expenditures.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

9. Convertible Construction Loan

During the year, the Association entered into a loan commitment agreement to obtain a maximum demand non-revolving construction loan of up to \$ 27,010,784 from BC Housing Management Commission (BCHMC). The construction loan is advanced as costs are incurred on the construction of 105 affordable and supporting housing units. These consist of three buildings, referred to as Larch Place, Birch Place, and Cedar Place. As at March 31, 2020, the Association drew \$ 2,218,080 of the demand loan. The interest is accrued monthly on the balance outstanding at a variable rate calculated as the weighted average of the interest charged by the Ministry of Finance of the Government of British Columbia to BCHMC plus administration spread of up to 0.5625% and, in any event, not more than the Royal Bank of Canada prime rate plus 1.00%. The interest rate as at March 31, 2020 was 2.40%.

Upon completion of the construction anticipated in 2021, the demand non-revolving construction loan will be reduced to an amount not exceeding \$ 16,046,653. The \$16,046,653 will be refinanced with a third party by BCHMC on behalf of the Association, and be secured by the Birch and Larch Place buildings and land. The \$10,864,131 remaining balance of the loan relates to the Cedar Place construction costs and will be assumed by BCHMC upon completion when this property will be transferred back to BCHMC.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

10. Deferred Capital 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.

In 2019, the Association entered into an agreement with British Columbia Housing Management Commission (BCHMC) to construct and operate affordable and supportive housing. Under the terms of the agreement, the Association was loaned funds to complete development on the properties. During the year, the Association received \$6,700,000 in funding in the form of a forgivable loan for the construction of Larch Place and Birch Place. The forgivable loan, in the amount of \$ 6,700,000, will be earned over a twenty-five-year period commencing from the 11th anniversary of the commencement date, i.e in 2031. If during the thirty-five-year period, an event of default occurs, the outstanding balance of the loan, including the unearned forgivable portion plus interest at prime plus 2%, would become due and payable.

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

	2020	2019
BCHMC contributions	\$ 6,700,000	\$ -
Residential Rehabilitation Assistance Agreement contributions	113,665	118,401
Other capital contributions	18,427	19,195
Amortization of deferred capital contributions	(5,284)	(5,504)
Balance, end of year	6,826,808	132,092
Current portion	5,073	5,284
	\$ 6,821,735	\$ 126,808

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

11. Long-term Debt

	2020	2019
Mortgage, repayable \$ 1,878 monthly including interest at 3.89%, secured by land and building with a carrying value of \$ 247,035 and assignment of rents, due November 2026	\$ 132,093	\$ 149,165
Mortgage, repayable \$ 2,280 monthly including interest at 3.79%, secured by land and building with a carrying value of \$ 484,372, due November 2024	116,891	134,679
Mortgage, repayable \$ 1,850 monthly including interest at 3.79%, secured by land and building with a carrying value of \$ 484,372, due November 2024	94,793	110,282
Mortgage, repayable \$ 4,046 monthly including interest at 3.89%, secured by land and buildings with a carrying value of \$ 539,018 assignment of rents and fire insurance, due November 2026	284,636	321,397
	628,413	715,523
Current portion	98,100	715,523
	\$ 530,313	\$ -

Principal payments, due in the next five years and thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 98,100
2022	102,000
2023	105,900
2024	110,100
2025	98,000
Thereafter	114,313
	\$ 628,413

The Association assumed Shuswap Independent Living Association's mortgages on April 1, 2020. See Note 12 for further detail.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

12. Controlled Organization Not Consolidated

The Association controls Shuswap Independent Living Association (SILA), a not-for-profit organization. SILA is a commonly controlled entity and a registered charity under the Income Tax Act and provides low cost specialized housing to low income families, seniors, and people with disabilities in British Columbia. Audited Financial Statements of SILA are available on request. Financial summaries of this unconsolidated entity as at March 31, 2020, and for the year then ended, are as follows:

	<u>2020</u>	<u>2019</u>
Financial Position		
Current assets	\$ 573,907	\$ 639,128
Property, building and equipment	3,353,684	3,551,022
Other assets	265,020	288,958
	<u>\$ 4,192,611</u>	<u>\$ 4,479,108</u>
Current liabilities	\$ 344,690	\$ 389,143
Long-term liabilities	4,029,591	4,299,657
Net assets	<u>(181,670)</u>	<u>(209,692)</u>
	<u>\$ 4,192,611</u>	<u>\$ 4,479,108</u>
Operations		
Revenues	\$ 1,009,538	\$ 980,429
Expenses	956,175	907,375
	<u>\$ 53,363</u>	<u>\$ 73,054</u>
Cash Flows		
Operating activities	\$ 285,384	\$ 334,090
Purchase of equipment, land and building	(41,239)	-
Financing activities	<u>(288,842)</u>	<u>(286,411)</u>
Increase in cash, during the year	(44,697)	47,679
Cash, beginning of year	<u>603,550</u>	<u>555,871</u>
Cash, end of year	<u>\$ 558,853</u>	<u>\$ 603,550</u>

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

13. Commitments

(1) The Association has a rental commitment with monthly base rent payments of \$ 775, ending April 2021. Total commitment of \$ 9,300 for 2021, and \$ 775 for 2022.

(2) The Association, in partnership with BC Housing, are working towards the development of multi-unit housing facilities and programs in Salmon Arm for a total estimated cost of over \$27 million. This project started in fiscal 2020 with completion in 2021. As of March 31, 2020, \$9,503,644 of the project costs were incurred. The projects is funded through a combination of forgivable loan and demand loan provided to the Association.

(3) As part of the loan commitment agreement with BCHMC (Note 9), the Association has a commitment to pay to BCHMC a non-refundable commitment fee of \$160,467, being equal to 1.00% of the take-out loan amount of \$16,046,653.

14. Economic Dependence

The Association received 45% (2019 - 43%) of its revenue from the Interior Health Authority.

15. Pension Plan

The Association and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. Canadian Mental Health Association Shuswap / Revelstoke paid \$ 66,741 (2019 - \$ 65,926) for employer contributions to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

16. Subsidy Adjustment

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

17. 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. The Association is exposed to credit risk as 100% of the Association's accounts receivable balance is receivable from British Columbia Housing Management Corporation and the federal government.

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.

18. 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 three employees (2019 - one employee) with remuneration over \$ 75,000 each. The total remuneration paid to these individuals for the year ended March 31, 2020 were \$ 285,950 (2019 - \$ 118,058). No honoraria were paid to members of the Board of Directors for the 2020 and 2019 years.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Notes to Non-Consolidated Financial Statements

March 31, 2020

19. Internal Administration Charge

The Association charges an administration fee to its separate programs for overhead and executive salary costs. Total administration fees of \$ 151,324 (2019 - \$ 108,935) were charged by the general program to other programs. This internal administration fee has been eliminated in the combined Non-Consolidated Statement of Operations.

20. COVID-19

The impact of COVID-19 in Canada and on the global economy increased significantly after the fiscal year end. If the impacts of COVID-19 continue, there could be further impact on the Association and its customers, suppliers, and other third party business associates that could impact the timing and amounts realized on the Association's assets and future contributions. At this time, the full potential impact of COVID-19 on the entity is not known.

21. Subsequent Event

Subsequent to year end on April 1, 2020, the Association acquired the assets, liabilities and operations of Shuswap Independent Living Association (SILA), a related party. As this transaction is a continuation of the respective entities, the pooling of interest method has been used to combine the assets, obligations, and operations of the entities. Under this method, the Non-Consolidated Financial Statements of the Association and SILA will be combined to form the next fiscal year's figures and comparative figures as if the two organizations had been combined from inception. The Association is assuming all of the assets and liabilities of the SILA as of that date.

The following table provides the net assets, obligations and operations of each entity which were combined on April 1, 2020 and formed CMHA.

	Canadian Mental Health Association Shuswap/Revelstoke Branch	Shuswap Independent Living Association	Elimination of inter-entity transactions	Total as at April 1, 2020
Total assets	12,240,774	4,192,611	(725)	16,432,660
Total liabilities	11,469,355	4,374,281	(725)	15,842,911
Total revenue	1,542,993	1,009,538	(259,609)	2,292,922
Excess of revenues over expenses	11,948	53,363	-	65,311

SILA's organization will be wound up and dissolved once the transfer is completed.

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Schedule 1 - Summary of Revenue and Expenditures by Program
(Unaudited)

For the year ended March 31	2020	2019
	(Note 19)	
Revenue		
General (Schedule 2)	\$ 850,772	\$ 827,119
Rehabilitation (Schedule 3)	558,802	535,309
4th Avenue Contract (Schedule 4)	138,690	130,749
Foxridge (Schedule 5)	146,053	151,128
	<u>1,694,317</u>	<u>1,644,305</u>
Expenditures		
General (Schedule 2)	687,976	589,010
Rehabilitation (Schedule 3)	629,750	600,403
4th Avenue Contract (Schedule 4)	156,683	148,240
Foxridge (Schedule 5)	163,937	156,225
	<u>1,638,346</u>	<u>1,493,878</u>
Excess of revenue over expenditures from operations	55,971	150,427
Transfer from reserves	17,884	5,097
<u>Excess of revenue over expenditures for the year</u>	<u>\$ 73,855</u>	<u>\$ 155,524</u>

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Schedule 2 - General
(Unaudited)

For the year ended March 31	2020	2019
Revenue		
Donations and fundraising	\$ 46,212	\$ 31,548
Grants	23,188	11,013
Interest	6,738	5,795
Memberships	400	370
Miscellaneous	13,952	12,913
Property management	259,609	246,814
Rent	202,245	162,820
Sales	193,105	182,728
BC Ministry of Health - Gatekeeper	-	78,683
Administration fee	105,323	94,435
	<u>850,772</u>	<u>827,119</u>
Expenditures		
Administration fee	20,728	14,137
Advertising	1,643	2,926
Board expenses	4,819	5,426
Insurance	11,340	9,647
Interest on long-term debt	20,123	22,353
Licenses, dues and fees	5,830	3,997
Office	18,299	14,834
Professional fees	38,268	8,119
Program costs	42,660	34,017
Repairs and maintenance	10,161	10,377
Staff development	6,770	3,351
Travel and Vehicle	3,095	8,204
Utilities	26,404	25,112
Wages and benefits	477,836	426,510
	<u>687,976</u>	<u>589,010</u>
Excess of revenue over expenditures for the year	\$ 162,796	\$ 238,109

Included in rent revenue is an internal charge of \$46,000.

Canadian Mental Health Association
 Shuswap / Revelstoke Branch
 Schedule 3 - Rehabilitation
 (Unaudited)

For the year ended March 31	2020	2019
Revenue		
Interior Health Authority	\$ 558,802	\$ 535,309
Expenditures		
Administration fee	99,312	65,159
Advertising	353	1,875
Insurance	1,592	2,722
Licenses, dues and fees	170	1,678
Office	1,379	5,136
Professional fees	-	2,400
Program costs	71,028	85,379
Repairs and maintenance	9,407	14,750
Staff development	3,630	1,881
Utilities	12,567	12,953
Travel and Vehicle	3,253	5,457
Wages and benefits	427,059	401,013
	<u>629,750</u>	<u>600,403</u>
Deficiency of revenue over expenditures for the year	\$ (70,948)	\$ (65,094)

Canadian Mental Health Association
 Shuswap / Revelstoke Branch
 Schedule 4 - 4th Avenue Contract
 (Unaudited)

For the year ended March 31	2020	2019
Revenue		
Interior Health Authority	\$ 138,690	\$ 130,749
Expenditures		
Administration fee	14,970	13,390
Insurance	2,936	2,137
Interest on long-term debt	5,339	5,881
Office	491	1,246
Program costs	2,566	5,110
Repairs and maintenance	1,919	6,784
Staff development	-	400
Utilities	9,291	9,067
Travel and Vehicle	1,121	1,129
Wages and benefits	118,050	103,096
	<u>156,683</u>	<u>148,240</u>
Deficiency of revenue over expenditures for the year	\$ (17,993)	\$ (17,491)

Canadian Mental Health Association
Shuswap / Revelstoke Branch
Schedule 5 - Foxridge
(Unaudited)

For the year ended March 31	2020	2019
Revenue		
Rental	\$ 128,797	\$ 138,336
BC Housing	17,256	12,792
	<u>146,053</u>	<u>151,128</u>
Expenditures		
Administration fee	16,314	16,249
Advertising	271	-
Insurance	355	282
Office	2,789	3,755
Licenses, dues and fees	786	1,160
Professional fees	1,650	1,650
Repairs and maintenance	9,516	9,358
Strata fees	53,258	53,258
Staff development	2,470	1,399
Travel and Vehicle	1,135	386
Utilities	23,244	20,239
Wages and benefits	52,149	48,489
	<u>163,937</u>	<u>156,225</u>
Excess (deficiency) of revenue over expenditures before transfer	(17,884)	(5,097)
Transfer from reserve for Foxridge expenditures	17,884	5,097
Excess of revenue over expenditures for the year	<u>\$ -</u>	<u>\$ -</u>