

Canadian Mental Health Association
Shuswap/Revelstoke Branch
Financial Statements
For the Year Ended March 31, 2021

Contact Information

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Canadian Mental Health Association Shuswap/Revelstoke
Branch
Financial Statements
For the Year Ended March 31, 2021

Contents

Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 21
Schedule 1 (Unaudited)	22

Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Canadian Mental Health Association Shuswap/Revelstoke Branch (the Association), which comprise the statement of financial position as at March 31, 2021, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2021, and its financial performance and 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 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, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years.

Emphasis of Matter

We draw your attention to Note 22 to the financial statements which describes that effective April 1, 2020 the assets, liabilities and operations of Shuswap Independent Living Association were transferred to Canadian Mental Health Association Shuswap/Revelstoke Branch. Our opinion is not modified in respect of this matter.

Other Matter

We draw attention to the fact that the supplementary information included in Schedule 1 does not form part of the 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 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 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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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 21, 2021

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

March 31	2021	2020
Assets		
Current		
Cash and bank (Note 2)	\$ 1,067,029	\$ 861,822
Short-term investments (Note 3)	45,994	30,632
Accounts receivable (Note 4)	1,391,419	952,147
Prepaid expenses	30,108	8,009
Current portion of prepaid rent (Note 5)	7,264	7,264
	<u>2,541,814</u>	<u>1,859,874</u>
Long-term investments (Note 3)	154,392	164,659
Prepaid rent (Note 5)	250,036	257,300
Capital assets (Note 6)	27,002,821	10,789,423
Assets under capital lease (Note 7)	3,219,537	3,353,684
	<u>\$33,168,600</u>	<u>\$ 16,424,940</u>

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 8)	\$ 3,049,099	\$ 1,797,775
Prepaid rent	71,869	21,806
Deferred revenue (Note 9)	247,011	104,560
Convertible construction loan (Note 10)	17,627,323	2,138,080
Current portion of deferred capital contributions (Note 11)	6,407	6,251
Current portion of long-term debt (Note 12)	1,511,500	392,800
	<u>22,513,209</u>	<u>4,461,272</u>
Deferred contributions for capital assets (Note 11)	6,853,787	6,860,617
Long-term debt (Note 12)	3,001,263	4,513,302
	<u>32,368,259</u>	<u>15,835,191</u>
Net Assets		
Invested in Capital Assets	(435,111)	152,057
Internally Restricted for Future Expenditures	200,385	195,291
Externally Restricted for Foxridge Expenditures	7,689	801
Externally Restricted for Replacement Reserves	458,570	410,403
Unrestricted	568,808	(168,803)
	<u>800,341</u>	<u>589,749</u>
	<u>\$ 33,168,600</u>	<u>\$ 16,424,940</u>

On behalf of the Board:

Sylvia Summers Director

e. m. i. e. j. 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**

For the year ended March 31	Invested in Capital Assets	Internally Restricted for Future Expenditures	Externally Restricted for Foxridge Expenditures	Externally Restricted for Replacement Reserves	Unrestricted	2021 Total	2020 Total
				(Note 14)			
Balance, beginning of the year	\$ 152,057	\$ 195,291	\$ 801	\$ 410,403	\$ (168,803)	\$ 589,749	\$ 547,967
Excess of revenues over expenses	(180,185)	-	(8,628)	48,167	341,173	200,527	65,311
Investment in capital assets	16,164,865	-	-	-	(16,164,865)	-	-
Change in debt	393,339	-	-	-	(393,339)	-	-
Net deferred capital contributions and holdbacks	(16,965,187)	-	-	-	16,965,187	-	-
Transfer to (from) unrestricted fund	-	5,094	15,245	-	(20,339)	-	-
Subsidy adjustment	-	-	271	-	9,794	10,065	(23,529)
Balance, end of the year	\$ (435,111)	\$ 200,385	\$ 7,689	\$ 458,570	\$ 568,808	\$ 800,341	\$ 589,749

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

Canadian Mental Health Association Shuswap/Revelstoke Branch Statement of Operations

For the year ended March 31	2021	2020
Revenue		
Rent	\$ 831,865	\$ 821,383
Interior Health Authority	707,084	697,492
BC Housing subsidy	413,602	369,048
Grants	317,514	62,783
Wage subsidy	118,833	-
Replacement reserve subsidy	74,304	74,304
Thrift Shoppe	74,260	151,171
Miscellaneous	53,185	17,515
Sales	40,980	45,877
Donations and fundraising	21,890	46,212
Interest	6,132	6,738
Memberships	455	400
	<u>2,660,104</u>	<u>2,292,923</u>
Expenses		
Advertising	1,841	2,267
Amortization	180,185	285,259
Bad debts	-	1,040
Board expenses	13,250	4,819
Insurance	100,449	52,141
Interest on long-term debt	152,985	164,565
Land lease	7,264	7,264
Licenses, dues and fees	9,092	7,268
Office	42,701	28,104
Professional fees	41,280	55,138
Program costs	94,256	108,348
Rent	62,790	60,796
Repairs and maintenance	285,537	123,711
Replacement reserve	26,718	66,584
Staff development	8,369	12,870
Travel and vehicle	10,410	11,043
Utilities	152,875	161,301
Wages and benefits	1,269,575	1,075,094
	<u>2,459,577</u>	<u>2,227,612</u>
Excess of revenues over expenses	<u>\$ 200,527</u>	<u>\$ 65,311</u>

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

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

For the year ended March 31	2021	2020
Cash flows from operating activities		
Cash received from Interior Health Authority	\$ 707,084	\$ 697,492
Cash received from tenants	881,928	816,492
Cash received from services	722,159	52,598
Cash received from BC Housing	366,296	459,395
Cash received from donations	21,890	46,212
Cash paid for operations	(349,679)	(1,611,939)
Interest paid	(152,985)	(166,354)
Interest received	6,132	10,301
	2,202,825	304,197
Cash flows from investing activities		
Acquisition of investments	(5,094)	(5,029)
Purchase of capital assets	(16,164,864)	(6,901,046)
Disposal of capital assets	23,600	-
	(16,146,358)	(6,906,075)
Cash flows from financing activities		
Loans from BC Housing	14,542,079	6,980,408
Long-term debt principal repayments	(393,339)	(373,444)
	14,148,740	6,606,964
Net increase in cash	205,207	5,086
Cash, beginning of the year	861,822	856,736
Cash, end of the year	\$ 1,067,029	\$ 861,822
Represented by:		
Cash - restricted	666,645	598,776
Cash - unrestricted	400,384	263,046
	\$ 1,067,029	\$ 861,822

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

Canadian Mental Health Association Shuswap/Revelstoke Branch

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature and Purpose of Organization	The Canadian Mental Health Association Shuswap/Revelstoke Branch "the 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 financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Canadian Mental Health Association Shuswap/Revelstoke Branch follows the deferral method of accounting for contributions.</p> <p>Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Deferred capital contributions for capital asset acquisitions are amortized to revenue on the same basis as the related capital asset.</p> <p>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.</p>
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.

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

March 31, 2021

1. Significant Accounting Policies (continued)

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 asset is calculated as follows:

	Method	Rate
Buildings	Declining balance	4%
Computer equipment	Declining balance	30%
Equipment, furnishings and signage	Declining balance	20%
Vehicles	Declining balance	30%

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.

Interest expense related to the construction loan for capital assets under construction is capitalized for accounting purposes.

Canadian Mental Health Association Shuswap/Revelstoke Branch

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Use of Estimates The preparation of the 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 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 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, 2021

2. Cash and Bank

- a) The Association's bank accounts are held by one financial institution. The bank accounts earn interest from 0% to 0.1% (2020 - 0% to 0.40%).
- b) The Association has an available operating line of credit in the amount of \$10,000 (2020 - \$10,000) bearing interest at prime (2020 - prime). As of March 31, 2021, the Association had undrawn capacity under this facility of \$10,000 (2020 - \$10,000).

The bank's prime rate as at March 31, 2021 was 2.45% (2020 - 2.45%).

- c) Restricted cash of \$458,570 (2020 - \$402,684) represents amounts to be used as approved by BC Housing for Replacement Reserves.

Under the terms of the agreement with BC Housing, the Replacement Reserve accounts are to be credited with an amount determined by the budget provision per annum plus interest earned. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation.

The Replacement Reserve Fund was fully funded (2020 - underfunded by \$7,720).

	Cash Balance	Replacement Reserve (Note 14)	Overfunded
Clover Court	\$ 107,787	\$ 107,787	\$ -
The Terrace	153,225	153,225	-
680 Shuswap	197,558	197,558	-
	\$ 458,570	\$ 458,570	\$ -

3. 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 GICs and earn interest from 2.32% to 2.59% (2020 - 2.27% to 3.28%) and have maturity dates ranging from January 2022 to February 2025.

4. Accounts Receivable

Included in accounts receivable are amounts receivable from British Columbia Housing Management Corporation related to the new development (Note 10) for work-in-progress of \$1,159,087 (2020 - \$858,474).

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

March 31, 2021

5. Prepaid Rent

Prepaid rent represents the payments made in advance for the lease of the land related to the leased properties as detailed in Note 7. Prepayment on the leased land is expensed over the lease terms on a straight-line basis.

	2021	2020
Clover Court	\$ 65,829	\$ 67,891
The Terrace	152,757	156,974
680 Shuswap	38,714	39,699
	257,300	264,564
Current portion	7,264	7,264
	\$ 250,036	\$ 257,300

6. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,521,694	\$ -	\$ 1,521,694	\$ -
Buildings	26,234,989	790,945	10,004,883	752,508
Computer equipment	44,787	44,266	57,413	56,668
Equipment, furnishings and signage	128,295	116,664	449,870	435,330
Vehicles	53,833	28,902	89,930	89,861
	27,983,598	980,777	12,123,790	1,334,367
		\$27,002,821		\$ 10,789,423

Included in Buildings are the Larch Place, Birch Place, and Cedar Place of \$24,521,540 (2020 - \$8,291,435) which are not being amortized as they are still under construction and not available for use.

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

March 31, 2021

7. Assets Under Capital Lease

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
51 9th Avenue SE	\$ 3,525,612	\$ 2,347,662	\$ 3,525,612	\$ 2,298,581
3110 2nd Avenue NE	2,927,994	1,758,384	2,927,994	1,709,650
680 Shuswap Street SE	1,896,567	1,024,590	1,896,567	988,258
	8,350,173	5,130,636	8,350,173	4,996,489
		\$ 3,219,537		\$ 3,353,684

The Association entered into the following lease agreements with the Province of British Columbia ("the Province") and the Provincial Rental Housing Corporation ("PRHC"). The PRHC is a corporate "stand-alone" entity created by the Province:

51 9th Avenue SE (Clover Court)

The Association entered into a 60-year lease agreement for land in Salmon Arm with PRHC commencing on March 1, 1994. The total basis rent of \$123,750 was prepaid (balance disclosed in Note 5) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 12. The property, including land, building and building improvements, will revert to PRHC upon the expiry or earlier termination of the lease term. The lease of the land is accounts for as a prepaid operating lease and the building on the leased land is treated as a capital lease.

3110 2nd Avenue NE (The Terrace)

The Association entered into a 60-year lease agreement for land in Salmon Arm with PRHC commencing on June 23, 1997. The total basis rent of \$253,000 was prepaid (balance disclosed in Note 5) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 12. The property, including land, building and building improvements, will revert to PRHC upon the expiry or earlier termination of the lease term. The lease of the land is accounts for as a prepaid operating lease and the building on the leased land is treated as a capital lease.

680 Shuswap Street SE (680 Shuswap)

The Association entered into a 60-year lease agreement for land in Salmon Arm with PRHC commencing on July 26, 2000. The total basis rent of \$59,076 was prepaid (balance disclosed in Note 5) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 12. The property, including land, building and building improvements, will revert to PRHC upon the expiry or earlier termination of the lease term. The lease of the land is accounts for as a prepaid operating lease and the building on the leased land is treated as a capital lease.

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

March 31, 2021

8. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$33,239 (2020 - \$25,101).

9. Deferred Revenue

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

	2021	2020
Beginning balance	\$ 104,560	\$ 90,634
Less: amounts recognized as revenue in the year	(130,559)	(10,634)
Add: Restricted amounts received related to expenses of a subsequent period	273,010	24,560
Ending balance	<u>\$ 247,011</u>	<u>\$ 104,560</u>

10. Convertible Construction Loan

The Association has 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, 2021, the Association drew \$17,627,323 (2020 - \$2,138,080) 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 0.56% and, in any event, not more than the Royal Bank of Canada prime rate plus 1.00%. The interest rate as at March 31, 2021 was 0.64% (2020 - 0.68%).

Upon completion of the construction (anticipated in the 2021 calendar year), 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 Financial Statements

March 31, 2021

11. Deferred Contributions Related to Capital Assets

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.

	2021	2020
BCHMC contributions	\$ 6,700,000	\$ 6,700,000
Residential Rehabilitation Assistance Agreement contributions	109,119	113,665
Other capital contributions	57,750	59,665
Amortization of deferred capital contributions	(6,675)	(6,462)
Balance, end of year	6,860,194	6,866,868
Current portion	6,407	6,251
	\$ 6,853,787	\$ 6,860,617

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

March 31, 2021

12. Long-term Debt

	2021	2020
Mortgage, repayable \$1,878 monthly including interest at 3.89%, secured by land and building with a carrying value of \$240,195 and assignment of rents, due November 2026.	\$ 114,384	\$ 132,093
Mortgage, repayable \$2,280 monthly including interest at 3.79%, secured by land and building with a carrying value of \$467,335, due November 2024.	93,562	116,891
Mortgage, repayable \$1,850 monthly including interest at 3.79%, secured by land and building with a carrying value of \$467,335, due November 2024.	75,861	94,793
Mortgage, repayable \$4,046 monthly including interest at 3.89%, secured by land and building with a carrying value of \$524,457 assignment of rents and fire insurance, due November 2026.	246,487	284,636
Mortgage, repayable \$13,428 monthly including interest at 1.91%, secured by building at 51 9th Avenue SE, Salmon Arm with a carrying value of \$1,177,950, due April 2029.	1,206,418	1,343,239
Mortgage, repayable \$13,465 monthly including interest at 3.46%, secured by building at 3110 2nd Avenue NE, Salmon Arm with a carrying value of \$1,169,610, due March 2024.	1,613,751	1,717,942
Mortgage, repayable \$8,665 monthly including interest at 4.21%, secured by building at 680 Shuswap Street SE, Salmon Arm with a carrying value of \$871,977, due April 2021.	1,162,300	1,216,508
	4,512,763	4,906,102
Current portion	1,511,500	392,800
	\$ 3,001,263	\$ 4,513,302

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

Year	Amount
2022	\$ 1,511,500
2023	359,600
2024	1,649,251
2025	245,523
2026	218,200
Thereafter	528,689
	\$ 4,512,763

The mortgage secured by building at 3110 2nd Avenue NE, Salmon Arm was renewed subsequent to year-end on April 1, 2021 repayable \$7,767 monthly including interest at 2.60%, due April 2031.

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

March 31, 2021

13. Subsidy Adjustment

BC Housing conducts annual reviews of the Associations financial statements and may adjust for any operating surplus or deficit related to over or underfunded subsidies. Prior year adjustments are recognized in equity in the year they are determined.

14. Replacement Reserve Fund Continuity

	Balance, March 31, 2020	Replacement Reserve Provision	Interest on Replacement Reserve Fund	Replacement Reserve Expenses	Balance March 31, 2021
Clover Court	\$ 97,381	\$ 32,832	\$ 132	\$ (22,558)	\$ 107,787
The Terrace	174,271	25,920	251	(2,884)	197,558
680 Shuswap	138,751	15,552	197	(1,275)	153,225
	<u>\$ 410,403</u>	<u>\$ 74,304</u>	<u>\$ 580</u>	<u>\$ 26,717</u>	<u>\$ 458,570</u>

15. Commitments

- a) The Association has a rental commitment with monthly base rent payments of \$775, ending April 2022. Total commitment of \$9,900 plus GST for fiscal 2022.
 - b) 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 anticipated in the 2021 calendar year. As of March 31, 2021, \$24,521,540 of the project costs were incurred. The project is funded through a combination of forgivable loan and demand loan provided to the Association.
 - c) As part of the loan commitment agreement with BCHMC (Note 10), the Association has a commitment to pay BCHMC a non-refundable commitment fee of \$160,467, being equal to 1.00% of the take-out loan amount of \$16,046,653.
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Canadian Mental Health Association Shuswap/Revelstoke Branch Notes to Financial Statements

March 31, 2021

16. Contingencies

- a) Any surplus on the rental and subsidy income, less related housing costs represents an overpayment of rental assistance and may be reclaimed by BC Housing.
- b) The non-Rent-Geared-To-Income ("non-RGI") assistance is contingently repayable to BC Housing in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The Association is required to commence repayment of the cumulative non-RGI assistance on the first day of the fiscal year following the fiscal year in which the preceding event occurs.

The balance then bears interest at bank prime and the required monthly payments are set annually, based upon the amount by which non-RGI tenant rent contributions exceed economic rent for these suites in the prior year.

- c) In the 2019 year-end, the Association received \$25,250 in funding in the form of a forgivable loan for balcony railing replacement. The loan is interest free until a default occurs. \$7,575 of the loan was forgiven as of year-end. The entire loan has been recognized as an improvement grant as the upgrade related to this funding was spent in 2019 and the loan is expected to be forgiven. The loan balance of \$17,675 is contingently repayable to BC Housing in the event that there is a default from the terms of the operating agreement, or that the operating agreement ends and is not renewed. In the event of default, the loan is due on demand with interest of prime plus 2% charged on the balance owing.

17. Economic Dependence

The Association received 59% (2020 - 52%) of its revenue from subsidy and other funding.

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

March 31, 2021

18. 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 Branch paid \$ 80,676 (2020 - \$ 66,741) for employer contributions to the plan in fiscal 2021.

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.

19. 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 four employees (2020 - three employees) with remuneration over \$75,000 each. The total remuneration paid to these individuals for the year ended March 31, 2021 were \$385,701 (2020 - \$285,950). No honoraria were paid to members of the Board of Directors for the 2021 and 2020 years.

20. Internal Administration Charge

The Association charges an administration fee to its separate programs for overhead and executive salary costs. Total administration fees of \$205,404 (2020 - \$151,324) were charged by the general program to other programs. This internal administration fee has been eliminated in the combined Statement of Operations.

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

March 31, 2021

21. Financial Instruments

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 on its fixed and floating interest rate financial instruments.

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 resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Association's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. The majority of the Association's receivables are from government sources and the Association works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The Association is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its obligations associated with 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. The Association is exposed to this risk mainly in respect of its accounts payable, accrued liabilities, and long-term debt.

The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

There have not been any changes to the risk exposure of the Association from the prior year.

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

March 31, 2021

22. Business Combination

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 financial statements of SILA and the Association were combined to form the current fiscal year's figures and comparative figures as if the organizations has been combined from inception. The Association assumed all of the assets and liabilities of 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 the Association.

	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	(8,445)	16,424,940
Total liabilities	11,469,355	4,374,281	(8,445)	15,835,191
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 has been wound up and dissolved once the transfer was completed.

23. Comparative Figures

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

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

For the year ended March 31	General	Rehab- ilitation	4th Avenue	Foxridge	Clover Court	The Terrace	680 Shuswap	Larch / Birch	2021	2020
Administration fee	\$ 205,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,404	\$ 151,324
BC Housing subsidy	24,104	-	-	17,208	148,980	101,942	121,368	-	413,602	369,048
Donations and fundraising	21,890	-	-	-	-	-	-	-	21,890	46,212
Grants	88,885	-	-	-	-	62,042	127,892	38,695	317,514	62,783
Interest	5,552	-	-	-	132	251	197	-	6,132	6,738
Interior Health Authority	-	564,940	142,144	-	-	-	-	-	707,084	697,492
Memberships	455	-	-	-	-	-	-	-	455	400
Miscellaneous	53,185	-	-	-	-	-	-	-	53,185	17,515
Rent	153,859	-	-	123,274	213,435	233,004	103,503	4,790	831,865	821,383
Replacement reserve subsidy	-	-	-	-	32,832	25,920	15,552	-	74,304	74,304
Sales	19,597	-	-	17,972	1,825	737	266	583	40,980	45,877
Thrift Shoppe	74,260	-	-	-	-	-	-	-	74,260	151,171
Wage subsidy	118,833	-	-	-	-	-	-	-	118,833	-
	766,024	564,940	142,144	158,454	397,204	423,896	368,778	44,068	2,865,508	2,444,247
Administration fee	55,674	66,171	12,303	17,624	23,599	18,771	11,262	-	205,404	151,324
Advertising	1,114	364	-	154	-	-	-	209	1,841	2,267
Bad debts	-	-	-	-	-	-	-	-	-	1,040
Board expenses	13,250	-	-	-	-	-	-	-	13,250	4,819
Insurance	12,776	1,574	3,242	588	31,341	26,342	18,500	6,086	100,449	52,141
Interest on long-term debt	17,439	-	4,769	-	24,103	57,088	49,586	-	152,985	164,565
Land lease	-	-	-	-	2,062	4,217	985	-	7,264	7,264
Licenses, dues and fees	6,447	150	-	1,048	551	497	399	-	9,092	7,268
Office	27,946	917	2,641	4,480	2,865	2,119	1,733	-	42,701	28,104
Professional fees	26,781	-	-	1,691	5,635	4,483	2,690	-	41,280	55,138
Program costs	37,620	52,528	4,108	-	-	-	-	-	94,256	108,348
Rent	-	9,532	-	53,258	-	-	-	-	62,790	60,796
Repairs and maintenance	20,142	7,228	632	8,869	22,042	84,075	139,635	2,914	285,537	123,711
Replacement reserve	-	-	-	-	22,559	2,884	1,275	-	26,718	66,584
Staff development	3,765	2,932	566	509	216	203	178	-	8,369	12,870
Travel and vehicle	2,173	541	420	1,532	2,380	1,932	1,184	248	10,410	11,043
Utilities	24,635	12,221	8,314	22,271	32,201	16,766	28,808	7,659	152,875	161,301
Wages and benefits	384,420	444,546	120,489	55,058	100,822	79,708	48,123	36,409	1,269,575	1,075,094
	634,182	598,704	157,484	167,082	270,376	299,085	304,358	53,525	2,484,796	2,093,677
Amortization	131,842	(33,764)	(15,340)	(8,628)	126,828	124,811	64,420	(9,457)	380,712	350,570
	180,185	-	-	-	-	-	-	-	180,185	285,259
Excess (deficit) revenues over expenses	\$ (48,343)	\$ (33,764)	\$ (15,340)	\$ (8,628)	\$ 126,828	\$ 124,811	\$ 64,420	\$ (9,457)	\$ 200,527	\$ 65,311