

Canadian Mental Health Association
Shuswap/Revelstoke Branch
Financial Statements
For the Year Ended March 31, 2023

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Canadian Mental Health Association Shuswap/Revelstoke
Branch
Financial Statements
For the Year Ended March 31, 2023

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 - 22
Schedule 1 - Summary of Revenue and Expenses by Program (Unaudited)	23
Schedule 2 - Summary of Revenue and Expenses by Housing Program (Unaudited)	24

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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Other Matter

We draw attention to the fact that the supplementary information included in Schedules 1 and 2 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

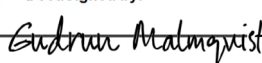
Chartered Professional Accountants

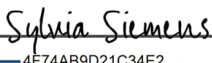
Salmon Arm, British Columbia
June 22, 2023

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

March 31	2023	2022
Assets		
Current		
Cash and bank (Note 2)	\$ 2,093,466	\$ 1,384,649
Accounts receivable	499,569	250,766
Prepaid expenses	3,751	666
Current portion of prepaid rent (Note 4)	7,264	7,264
	2,604,050	1,643,345
Long-term investments (Note 3)	210,780	205,250
Prepaid rent (Note 4)	235,508	242,772
Capital assets (Note 5)	22,059,469	22,411,407
Assets under capital lease (Note 6)	2,967,126	3,090,756
	\$28,076,933	\$ 27,593,530
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 595,193	\$ 365,897
Prepaid rent	136,271	176,041
Convertible construction loan (Note 8)	-	14,899,900
Deferred revenue (Note 9)	300,578	280,826
Current portion of deferred capital contributions (Note 10)	8,584	9,977
Current portion of long-term debt (Note 11)	716,400	425,000
	1,757,026	16,157,641
Deferred contributions for capital assets (Note 10)	6,847,976	6,856,560
Long-term debt (Note 11)	18,380,426	3,675,423
	26,985,428	26,689,624
Net Assets (Deficiency)		
Invested in Capital Assets	(926,961)	241,916
Internally Restricted for Future Expenditures	210,780	205,249
Externally Restricted for Foxridge Expenditures	6,445	16,998
Externally Restricted for Replacement Reserves	921,702	477,332
Unrestricted	879,539	(37,589)
	1,091,505	903,906
	\$ 28,076,933	\$ 27,593,530

On behalf of the Board:

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 Director
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 Director
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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	2023 Total	2022 Total
				(Note 13)			
Balance, beginning of the year	\$ 241,916	\$ 205,249	\$ 16,998	\$ 477,332	\$ (37,589)	\$ 903,906	\$ 800,341
Excess (deficiency) of revenues over expenses	(1,004,080)	-	(10,553)	24,742	757,862	(232,029)	86,990
Investment in capital assets	528,512	-	-	-	(528,512)	-	-
Change in debt	(14,996,402)	-	-	-	14,996,402	-	-
Net deferred capital contributions and holdbacks	14,303,093	-	-	-	(14,303,093)	-	-
Transfer to (from) unrestricted fund	-	5,531	-	-	(5,531)	-	-
Transfer to replacement reserves	-	-	-	419,628	-	419,628	-
Subsidy adjustment	-	-	-	-	-	-	16,575
Balance, end of the year	\$ (926,961)	\$ 210,780	\$ 6,445	\$ 921,702	\$ 879,539	\$ 1,091,505	\$ 903,906

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	2023	2022
Revenue		
Rent	\$ 1,897,061	\$ 1,357,685
BC Housing subsidy	2,418,981	1,021,213
Grants - Interior Health Authority	737,723	722,109
Grants	398,180	423,619
Thrift Shoppe	116,310	107,353
Sale of services	94,534	88,625
Replacement reserve subsidy	133,056	75,168
Donations and fundraising	47,663	47,327
Miscellaneous	4,890	27,501
Interest	16,592	5,764
Memberships	465	465
	<u>5,865,455</u>	<u>3,876,829</u>
Expenses		
Advertising	1,728	1,893
Amortization	1,004,080	597,350
Bad debts	4,131	-
Board expenses	10,965	9,934
Insurance	146,886	117,532
Interest on long-term debt	502,627	125,124
Land lease	7,264	7,264
Licenses, dues and fees	11,869	10,096
Office	72,120	33,750
Professional fees	42,693	29,995
Program costs	868,298	438,020
Property Taxes	39,709	5,578
Rent	63,829	63,405
Repairs and maintenance	405,134	365,228
Replacement reserve	115,541	56,864
Staff development	10,319	4,306
Travel and vehicle	27,792	16,111
Utilities	344,618	260,800
Wages and benefits	2,417,881	1,666,521
	<u>6,097,484</u>	<u>3,809,771</u>
Operating income (loss)	(232,029)	67,058
Other income		
Wage subsidy	-	19,932
	<u>-</u>	<u>19,932</u>
Excess (deficiency) of revenues over expenses	<u>\$ (232,029)</u>	<u>\$ 86,990</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	2023	2022
Cash flows from operating activities		
Cash received from Interior Health Authority	\$ 737,723	\$ 722,109
Cash received from tenants	1,857,292	1,461,857
Cash received (paid) from services	(431,242)	205,510
Cash received from BC Housing	2,971,665	1,128,943
Cash received from grant funding	407,956	483,708
Cash received from donations	47,663	47,327
Cash paid for operations	(4,357,303)	(4,590,693)
Interest paid	(502,627)	(125,124)
Interest received	16,592	5,764
	747,719	(660,599)
Cash flows from investing activities		
Acquisition of investments	(5,530)	(4,864)
Purchase of capital assets	(129,874)	(6,094,765)
Disposal of capital assets	-	10,823,002
	(135,404)	4,723,373
Cash flows from financing activities		
Loans from (repayments to) BC Housing	(14,899,900)	(3,332,814)
Long-term debt principal repayments	(699,222)	(412,340)
Issuance of long-term debt	15,695,624	-
	96,502	(3,745,154)
Net increase in cash	708,817	317,620
Cash, beginning of the Cash	1,384,649	1,067,029
Cash, end of the year	\$ 2,093,466	\$ 1,384,649
Represented by:		
Cash - restricted	1,179,302	681,277
Cash - unrestricted	914,164	703,372
	\$ 2,093,466	\$ 1,384,649

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

Canadian Mental Health Association Shuswap/Revelstoke Branch

Notes to Financial Statements

March 31, 2023

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>Sale of services, 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, 2023

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, 2023

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, 2023

2. Cash and Bank

- a) The Association's bank accounts are held by one financial institution. The bank accounts earn interest from 0% to 1.60% (2022 - 0% to 0.10%).
- b) The Association has an available operating line of credit in the amount of \$10,000 (2022 - \$10,000) bearing interest at prime (2022 - prime). As of March 31, 2023, the Association had undrawn capacity under this facility of \$10,000 (2022 - \$10,000).

The bank's prime rate as at March 31, 2023 was 6.70% (2022 - 2.70%).

- c) Restricted cash of \$962,077 (2022 - \$459,029) 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 overfunded by \$40,375 (2022 - underfunded by \$18,303).

	Cash Balance	Replacement Reserve (Note 13)	Overfunded / (Underfunded)
Clover Court	\$ 118,405	\$ 94,194	\$ 24,211
The Terrace	160,829	137,390	23,439
680 Shuswap	202,431	213,775	(11,344)
Rotary Gardens	422,009	422,009	-
Larch & Birch	58,403	54,334	4,069
	<u>\$ 962,077</u>	<u>\$ 921,702</u>	<u>\$ 40,375</u>

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 1.68% to 5.03% (2022 - 1.68% to 3.28%) and have maturity dates ranging from March 2024 to October 2027.
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Canadian Mental Health Association Shuswap/Revelstoke Branch
Notes to Financial Statements

March 31, 2023

4. 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 6. Prepayment on the leased land is expensed over the lease terms on a straight-line basis.

	2023	2022
Clover Court	\$ 61,705	\$ 63,767
The Terrace	144,323	148,540
680 Shuswap	36,744	37,729
	242,772	250,036
Current portion	7,264	7,264
	\$ 235,508	\$ 242,772

5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,182,275	\$ -	\$ 1,182,275	\$ -
Buildings	22,900,053	2,097,840	22,398,141	1,241,539
Computer equipment	63,289	48,657	50,082	45,216
Equipment, furnishings and signage	141,688	122,190	128,295	118,990
Vehicles	101,958	61,107	101,958	43,599
	\$24,389,263	\$ 2,329,794	\$ 23,860,751	\$ 1,449,344
Net book value		\$22,059,469		\$ 22,411,407

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

March 31, 2023

6. Assets Under Capital Lease

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
51 9th Avenue SE	\$ 3,525,612	\$ 2,440,013	\$ 3,525,612	\$ 2,394,780
3110 2nd Avenue NE	2,927,994	1,850,081	2,927,994	1,805,168
680 Shuswap Street SE	1,896,567	1,092,953	1,896,567	1,059,469
	<u>\$ 8,350,173</u>	<u>\$ 5,383,047</u>	<u>\$ 8,350,173</u>	<u>\$ 5,259,417</u>
Net book value		<u>\$ 2,967,126</u>		<u>\$ 3,090,756</u>

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 4) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 11. 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 4) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 11. 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 4) and the cost of the building and improvements was financed by long-term debt as disclosed in Note 11. 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, 2023

7. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$38,394 (2022 - \$12,996).

8. 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, 2023, the Association drew \$25,117,511 (2022 - \$14,899,900) of the demand loan. In 2022, \$10,217,611 of the loan was transferred back to BCHMC upon completion and transfer of the Cedar Place Building to BCHMC resulting in remaining demand loan of \$nil at year-end. The association entered into a convertible construction loan with BC Housing for the development of the Birch and Larch buildings completed in 2022. 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%. This loan was converted to long term debt April 1, 2022.

Upon completion of the construction, the demand non-revolving construction loan was reduced to an amount not exceeding \$16,046,653. During the year, the demand loan was refinanced with a third party by BCHMC on behalf of the Association, and is secured by the Birch and Larch Place buildings and land. The difference in the mortgage and the actual costs incurred in the demand loan represent anticipated future costs on the development. These funds are held in trust by BC Housing to repay additional costs incurred and the remaining amount, if any, is to be deducted from the mortgage at the first renewal period on April 1, 2032.

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

March 31, 2023

9. Deferred Revenue

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

	Balance, March 31, 2022	Contributions Received	Revenue Recognized	Balance March 31, 2023
SPARC BC	\$ 18,750		\$ (18,750)	\$ -
Mental Health Peer Support	14,334		(14,334)	-
Ride Don't Hide Fundraising	11,035		(11,035)	-
Peer Support & Service Navigation	4,816	14,000	(18,816)	-
Recovery College	12,102		(12,102)	-
Interior Health Authority - Harm Reduction Vending Machine	-	20,000	-	20,000
BC Housing - Cedar Start-Up	172,557	954	(62,508)	111,003
BC Housing - Team Building & Resilience	-	8,984	(4,659)	4,325
BC Housing - Rotary Gardens Start-Up	-	48,033	(22,280)	25,753
BC Housing - Outreach	-	80,200	(1,566)	78,634
BC Housing - CHB/HPP	47,232		(47,232)	-
BC Housing - Shelter Start - Up	-	25,000	(8,187)	16,813
BC Housing - Capacity Building (Cedar)	-	10,000	-	10,000
BC Housing - Maintenance & Furniture (Cedar)	-	30,000	-	30,000
Security Deposits (Rotary)	-	4,050	-	4,050
	<u>\$ 280,826</u>	<u>\$ 241,221</u>	<u>\$ (221,469)</u>	<u>\$ 300,578</u>

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

March 31, 2023

10. 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. Subsequent to year end the Residential Rehabilitation Assistance agreement loan was fully forgiven in the amount of \$96,541 as at March 31, 2023.

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. In 2019, 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.

	2023	2022
BCHMC contributions	\$ 6,700,000	\$ 6,700,000
Residential Rehabilitation Assistance Agreement contributions	100,564	104,754
Other capital contributions	65,973	70,440
Amortization of deferred capital contributions	(9,977)	(8,657)
Balance, end of year	6,856,560	6,866,537
Current portion	8,584	9,977
	\$ 6,847,976	\$ 6,856,560

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

March 31, 2023

11. Long-term Debt

	2023	2022
Mortgage, repayable \$1,878 monthly including interest at 3.89%, secured by land and building at 461 - 4 Avenue SE, Salmon Arm with a carrying value of \$227,325 and assignment of rents, due November 2026.	\$ 76,836	\$ 95,974
Mortgage, repayable \$2,280 monthly including interest at 3.79%, secured by land and building at 431 Hudson Avenue NE, Salmon Arm with a carrying value of \$468,866, due November 2024.	44,169	69,333
Mortgage, repayable \$1,850 monthly including interest at 3.79%, secured by land and building at 435 Hudson Avenue NE, Salmon Arm with a carrying value of \$468,866, due November 2024.	35,780	56,200
Mortgage, repayable \$4,046 monthly including interest at 3.89%, secured by land and building 20 Alexander Street NE, Salmon Arm with a carrying value of \$497,060 assignment of rents and fire insurance, due November 2026.	165,595	206,826
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 \$1,085,599, due April 2029.	924,963	1,067,028
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 \$1,077,912, due March 2024.	1,394,334	1,505,924
Mortgage, repayable \$7,767 monthly including interest at 2.60%, secured by building at 680 Shuswap Street SE, Salmon Arm with a carrying value of \$803,614, due April 2031.	1,033,588	1,099,138
Mortgage, repayable \$57,679 monthly including interest at 2.70%, secured by building at 540 3rd Street SW, Salmon Arm with a carrying value of \$20,791,237, due April 2032.	15,421,561	-
	19,096,826	4,100,423
Current portion	716,400	425,000
	\$18,380,426	\$ 3,675,423

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

March 31, 2023

11. Long-term Debt (continued)

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

<u>Year</u>	<u>Amount</u>
2024	\$ 716,400
2025	1,880,283
2026	583,500
2027	575,031
2028	541,700
Thereafter	<u>14,799,912</u>
	<u>\$ 19,096,826</u>

12. 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.

13. Replacement Reserve Fund Continuity

	<u>Balance, March 31, 2022</u>	<u>Replacement Reserve Provision</u>	<u>Interest on Replacement Reserve Fund</u>	<u>Replacement Reserve Expenses</u>	<u>Balance, March 31, 2023</u>
Clover Court	\$ 117,340	\$ 32,832	\$ 1,064	\$ (57,042)	\$ 94,194
The Terrace	200,610	26,784	1,821	(15,440)	213,775
680 Shuswap Rotary Gardens	159,382	15,552	1,446	(38,990)	137,390
Larch & Birch	-	419,628	2,381	-	422,009
	-	57,888	515	(4,069)	54,334
	<u>\$ 477,332</u>	<u>\$ 552,684</u>	<u>\$ 7,227</u>	<u>\$ 115,541</u>	<u>\$ 921,702</u>

Replacement reserve funds of \$419,628 were transferred from CML Properties to the Association in relation to the transfer of the Rotary Gardens property on April 1, 2022. The funds are not included in income.

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

March 31, 2023

14. 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. \$10,100 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 \$15,150 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.

15. Economic Dependence

The Association received 64% (2022 - 56%) of its revenue from subsidy and other funding.

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

March 31, 2023

16. 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. Canadian Mental Health Association Shuswap/Revelstoke Branch paid \$123,054 (2022 - \$93,104) for employer contributions to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024, with results available in 2025.

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.

17. 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 (2022 - three employees) with remuneration over \$75,000 each. The total remuneration paid to these individuals for the year ended March 31, 2023 were \$423,238 (2022 - \$315,957). No honoraria were paid to members of the Board of Directors for the 2023 and 2022 years.

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

March 31, 2023

18. Internal Administration Charge

The Association charges an administration fee to its separate programs for overhead and executive salary costs. Total administration fees of \$59,774 (2022 - \$93,514) were charged by the general program to other programs. This internal administration fee has been eliminated in the combined Statement of Operations.

19. 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, 2023

20. 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	Outreach	Shelter	Housing Programs (Schedule 2)	2023	2022
Administration fee	\$ 59,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,774	\$ 93,514
BC Housing subsidy	-	-	-	67,320	216,939	2,134,722	2,418,981	1,021,213
Donations and fundraising	43,363	4,300	-	-	-	-	47,663	47,327
Grants	93,158	-	-	48,797	8,187	248,038	398,180	423,619
Interest	9,365	-	-	-	-	7,227	16,592	5,764
Grants - Interior Health Authority	-	577,636	160,087	-	-	-	737,723	722,109
Memberships	465	-	-	-	-	-	465	465
Miscellaneous	4,215	-	-	-	-	675	4,890	27,501
Rent	107,976	-	32,201	-	-	1,756,884	1,897,061	1,357,685
Replacement reserve subsidy	-	-	-	-	-	133,056	133,056	75,168
Sale of services	2,782	2,689	-	-	-	89,063	94,534	88,625
Thrift Shoppe	116,310	-	-	-	-	-	116,310	107,353
Wage subsidy	-	-	-	-	-	-	-	19,932
	437,408	584,625	192,288	116,117	225,126	4,369,665	5,925,229	3,990,275
Administration fee	38,352	11,110	3,150	-	-	7,162	59,774	93,514
Advertising	1,351	377	-	-	-	-	1,728	1,893
Bad debts	-	-	375	-	-	3,756	4,131	-
Board expenses	10,965	-	-	-	-	-	10,965	9,934
Insurance	7,473	1,717	3,166	-	1,411	133,119	146,886	117,532
Interest on long-term debt	11,296	-	3,397	-	-	487,934	502,627	125,124
Land lease	-	-	-	-	-	7,264	7,264	7,264
Licenses, dues and fees	5,763	58	-	-	-	6,048	11,869	10,096
Office	22,317	10,594	1,323	-	1,468	36,418	72,120	33,750
Professional fees	9,412	-	-	-	-	33,281	42,693	29,995
Program costs	73,123	66,589	1,685	75,359	134,110	517,432	868,298	438,020
Property Taxes	873	-	393	-	-	38,443	39,709	5,578
Rent	-	10,571	-	-	-	53,258	63,829	63,405
Repairs and maintenance	44,889	6,907	3,957	-	1,669	347,712	405,134	365,228
Replacement reserve	-	-	-	-	-	115,541	115,541	56,864
Staff development	2,694	2,717	-	-	-	4,908	10,319	4,306
Travel and vehicle	3,971	2,260	706	-	368	20,487	27,792	16,111
Utilities	29,724	12,651	8,753	-	961	292,529	344,618	260,800
Wages and benefits	129,895	539,532	122,628	7,335	82,253	1,536,238	2,417,881	1,666,521
	392,098	665,083	149,533	82,694	222,240	3,641,530	5,153,178	3,305,935
Amortization	45,310	(80,458)	42,755	33,423	2,886	728,135	772,051	684,340
	1,004,080	-	-	-	-	-	1,004,080	597,350
Excess (deficit) revenues over expenses	\$ (958,770)	\$ (80,458)	\$ 42,755	\$ 33,423	\$ 2,886	\$ 728,135	\$ (232,029)	\$ 86,990

**Canadian Mental Health Association Shuswap/Revelstoke Branch
Schedule 2 - Summary of Revenue and Expenditures by Housing Program
(Unaudited)**

For the year ended March 31	Foxridge	Clover Court	The Terrace	680 Shuswap	Larch / Birch	Cedar	Rotary Gardens	2023	2022
BC Housing subsidy	\$ 31,488	\$ 178,080	\$ 99,150	\$ 146,364	\$ 434,724	\$ 1,155,192	\$ 89,724	\$ 2,134,722	\$ 867,969
Grants	-	-	87,450	-	5,416	132,892	22,280	248,038	342,717
Interest	-	1,064	1,821	1,446	515	-	2,381	7,227	459
Miscellaneous	30	-	-	-	465	180	-	675	-
Rent	121,676	221,421	254,100	112,074	541,525	158,625	347,463	1,756,884	1,200,034
Replacement reserve subsidy	-	32,832	26,784	15,552	57,888	-	-	133,056	75,168
Sale of services	19,299	1,541	384	319	62,434	-	5,086	89,063	79,923
	172,493	434,938	469,689	275,755	1,102,967	1,446,889	466,934	4,369,665	2,566,270
Administration fee	7,162	-	-	-	-	-	-	7,162	-
Bad debts	-	-	-	-	3,315	-	441	3,756	-
Insurance	803	25,381	25,824	14,909	59,806	5,728	668	133,119	106,157
Interest on long-term debt	-	17,146	48,916	26,102	395,770	-	-	487,934	106,437
Land lease	-	2,062	4,217	985	-	-	-	7,264	7,264
Licenses, dues and fees	659	822	670	389	1,450	1,146	912	6,048	1,211
Office	3,736	2,951	2,369	1,592	7,082	12,828	5,860	36,418	12,790
Professional fees	1,785	5,880	4,725	2,835	6,306	5,750	6,000	33,281	22,388
Program costs	4,423	-	-	-	5,416	485,313	22,280	517,432	204,407
Property Taxes	-	1,218	1,218	646	1,193	731	33,437	38,443	4,312
Rent	53,258	-	-	-	-	-	-	53,258	53,258
Repairs and maintenance	11,025	30,771	108,641	38,406	75,287	31,838	51,744	347,712	316,893
Replacement reserve	-	57,042	15,440	38,990	4,069	-	-	115,541	56,864
Staff development	-	-	-	-	-	4,880	28	4,908	932
Travel and vehicle	1,596	2,162	1,814	1,071	3,863	6,610	3,371	20,487	10,584
Utilities	22,992	37,790	20,077	33,752	96,818	44,616	36,484	292,529	213,166
Wages and benefits	75,607	112,419	98,466	59,665	170,941	798,668	220,472	1,536,238	839,676
	183,046	295,644	332,377	219,342	831,316	1,398,108	381,697	3,641,530	1,956,339
	\$ (10,553)	\$ 139,294	\$ 137,312	\$ 56,413	\$ 271,651	\$ 48,781	\$ 85,237	\$ 728,135	\$ 609,931