

# Financial Statements

Canadian Mental Health Association – Kelowna and  
District Branch

March 31, 2022

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# Independent auditor's report

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To the Directors of Canadian Mental Health Association – Kelowna & District Branch:

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Canadian Mental Health Association - Kelowna & District Branch (“the Association”), which comprise the statement of financial position as at March 31, 2022, and 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, the accompanying financial statements present fairly in all material respects, the financial position of the Association as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

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 opinion.

### Emphasis of matter

We draw attention to Note 13 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

### Other Matters

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedules is presented for purposes of additional information and is not required as part of the financial statements. Such information has been subject to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Societies Act of British Columbia, we report that, in our opinion, these financial statements were prepared on a basis consistent with that applied in preparing the financial statements of the preceding period.

Kelowna, Canada  
September 26, 2022

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font, with "LLP" in a smaller, sans-serif font to the right. Below the script, the words "Chartered Professional Accountants" are written in a clean, sans-serif font.

Chartered Professional Accountants

Canadian Mental Health Association - Kelowna and District Branch  
Statement of financial position

March 31

	2022	2021 Restated Note 13
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,123,561	\$ 4,330,075
Accounts receivable	564,292	181,659
Government remittances receivable	56,525	57,942
Prepaid expenses and deposits	168,637	197,265
	<u>5,913,015</u>	<u>4,766,941</u>
Restricted cash (Note 2)	447,228	758,373
Tangible capital assets (Note 3)	2,079,152	2,484,391
	<u>\$ 8,439,395</u>	<u>\$ 8,009,705</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 649,367	\$ 453,217
Deferred revenue (Note 4)	2,514,778	2,230,819
Deposits held	66,288	52,820
Current portion of mortgage payable (Note 5)	80,449	78,529
	<u>3,310,882</u>	<u>2,815,385</u>
Mortgage payable (Note 5)	929,643	1,010,092
Deferred capital contributions (Note 6)	620,089	953,010
	<u>4,860,614</u>	<u>4,778,487</u>
Net assets		
Unrestricted	2,532,581	2,108,737
Invested in tangible capital assets	598,972	592,760
Replacement reserves (Note 7)	297,228	379,721
Internally restricted (Note 8)	150,000	150,000
	<u>3,578,781</u>	<u>3,231,218</u>
Commitments (Note 9)		
	<u>\$ 8,439,395</u>	<u>\$ 8,009,705</u>

See accompanying notes to the financial statements.

On behalf of the Board:

*Stuart Yanow*

Director

*Debbie da Silva*  
Debbie da Silva (508 27, 2492 1121 PDI)

Director

# Canadian Mental Health Association - Kelowna and District Branch

## Statement of operations

Year ended March 31

2021

Restated  
Note 13

	2022	
<b>Revenue</b>		
BC Housing management contracts	\$ 5,777,656	\$ 4,012,900
Grants	1,500,549	1,114,929
Other government contracts	1,323,962	1,349,654
Tenants' rent	1,139,825	734,256
Donations	558,748	421,508
Other income	323,525	162,936
BC Gaming	94,687	90,961
United Way	22,750	74,500
Sales and workshops	35,304	151,572
Investment income	10,108	12,148
	<b>10,787,114</b>	<b>8,125,363</b>
<b>Expenses</b>		
Advertising	43,180	26,767
Amortization of tangible capital assets	440,803	423,885
Bank charges and processing fees	30,049	5,285
Contract fees and honorarium	259,678	497,160
Insurance	94,287	70,269
Interest on mortgage	25,454	27,328
Office and administration	187,342	111,815
Professional fees	32,023	25,398
Program supplies and activities	533,471	269,590
Rent and property tax	374,577	229,893
Rent subsidies	658,244	392,822
Repairs and maintenance	540,902	331,461
Salaries, wages and benefits	7,051,623	4,972,568
Telephone and internet	148,236	93,496
Travel and conferences	61,783	45,437
Utilities	333,270	221,151
	<b>10,814,922</b>	<b>7,744,325</b>
Excess (deficiency) of revenues over expenses before undernoted item	<b>(27,808)</b>	381,038
<b>Other income:</b>		
Amortization of deferred capital contributions	375,371	365,136
<b>Excess of revenues over expenses</b>	<b>\$ 347,563</b>	<b>\$ 746,174</b>

See accompanying notes to the financial statements.

Canadian Mental Health Association - Kelowna and District Branch

Statement of changes in net assets

Year ended March 31

	Internally restricted	Replacement reserves	Restricted fund	Unrestricted	Invested in tangible capital assets	Total 2022	2021 Restated Note 13
<b>Net assets, beginning of year, as previously stated</b>	\$ -	\$ 379,721	\$ 23,190	\$ 2,291,525	\$ 607,206	\$ 3,301,642	\$ 2,555,469
Prior period adjustment ( <i>Note 13</i> )	150,000	-	(23,190)	(182,788)	(14,446)	(70,424)	(70,425)
<b>Net assets, beginning of year, restated</b>	150,000	379,721	-	2,108,737	592,760	3,231,218	2,485,044
Excess of revenues over expenses	-	-	-	347,563	-	347,563	746,174
Net investment in tangible capital assets	-	-	-	(35,565)	35,565	-	-
Amortization of tangible capital assets	-	-	-	440,803	(440,803)	-	-
Deferred capital contributions received	-	-	-	42,450	(42,450)	-	-
Amortization of deferred capital contributions	-	-	-	(375,371)	375,371	-	-
Principal reduction of mortgage	-	-	-	(78,529)	78,529	-	-
Transfers in net assets	-	(82,493)	-	82,493	-	-	-
<b>Net assets, end of year</b>	\$ 150,000	\$ 297,228	\$ -	\$ 2,532,581	\$ 598,972	\$ 3,578,781	\$ 3,231,218

See accompanying notes to the financial statements.

Canadian Mental Health Association - Kelowna and District Branch  
Statement of cash flows  
Year ended March 31

2021  
Restated  
Note 13

	2022	
Cash provided by (used in):		
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 347,563	\$ 746,174
Adjustment for non-cash items		
Amortization of tangible capital assets	440,803	423,885
Amortization of deferred capital contributions	(375,371)	(365,136)
	65,432	58,749
Changes in non-cash operating working capital		
Accounts receivable	(382,633)	(6,619)
Government remittances receivable	1,417	(17,268)
Prepaid expenses and deposits	28,628	(116,021)
Accounts payable and accrued liabilities	196,150	237,076
Deferred revenue	283,959	1,663,555
Deposits held	13,468	3,748
	140,989	1,764,471
	\$ 553,984	\$ 2,569,394
<b>Investing activities</b>		
Net purchase of tangible capital assets	(35,564)	(239,117)
	\$ (35,564)	\$ (239,117)
<b>Financing activities</b>		
Deferred capital contributions received	42,450	20,615
Repayment of debt	(78,529)	(76,655)
	(36,079)	(56,040)
Increase in cash and cash equivalents	482,341	2,274,237
Cash and cash equivalents, beginning of year	5,088,448	2,814,211
Cash and cash equivalents, end of year	\$ 5,570,789	\$ 5,088,448
Cash consists of:		
Cash and cash equivalents - Unrestricted	\$ 5,123,561	\$ 4,330,075
Cash and cash equivalents - Restricted	447,228	758,373
	\$ 5,570,789	\$ 5,088,448

See accompanying notes to the financial statements.



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# Canadian Mental Health Association – Kelowna and District Branch

## Notes to the financial statements

March 31, 2022

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The Canadian Mental Health Association - Kelowna and District Branch (the "Association") is a branch of the Canadian Mental Health Association and is incorporated under the Societies Act of British Columbia. The Association promotes the mental health of all and supports the resilience and recovery of people in the Central Okanagan experiencing mental illness through supportive housing, community education, influencing public policy, research and service.

The Association is a registered charity within the definition of the Income Tax Act and therefore, as long as it complies with the rules and regulations of the Income Tax Act, it is exempt from income taxes and may issue receipts to donors.

### 1. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The Association's significant accounting policies are as follows:

a) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Unrestricted contributions from contracts with government organizations, grants and other income are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions from these sources are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of tangible capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related asset.

Rental income and revenue from other contributions are recognized as revenue in accordance with the terms of the agreement, when proceeds are collected or when collection is reasonably assured.

b) Contributed services:

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and is therefore not reflected in these financial statements.

c) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, GIC's and short-term deposits that are readily convertible into cash.

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# Canadian Mental Health Association – Kelowna and District Branch

## Notes to the financial statements

March 31, 2022

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### 1. Significant accounting policies (continued)

d) Tangible capital assets:

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives using the following rates and methods.

Buildings	4%	declining-balance
Computer equipment	4 years	straight-line
Furniture and fixtures	20%	declining-balance and
	5 years	straight-line
Leasehold improvements	5 years	straight-line
Vehicles	5 years	straight-line

The Association reviews the carrying amount of tangible capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Association's ability to provide services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to significant management estimates include allowance for doubtful accounts, useful lives of tangible capital assets and the related amortization of tangible capital assets and deferred capital contributions.

f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments obtained in a related party transaction are measured at their carrying amount, except those transactions with a person or entity whose sole relationship with the Association is in the capacity of management, which are accounted for at fair value on initial recognition. Financial instruments are subsequently measured at cost or amortized cost, including cash and cash equivalents, receivables, payables, and mortgage payable.

Financial assets are assessed for impairment annually if there are indicators of impairment. Previously recognized impairment losses will be reversed to the extent of the improvement, not exceeding the initial carrying value. The amounts of any write down or reversal are recognized in the statement of operations.

Canadian Mental Health Association – Kelowna and District Branch  
Notes to the financial statements  
March 31, 2022

**2. Restricted cash and internally restricted net assets:**

Restricted cash includes cash held for future capital expenditures, BC Housing operations, and BC Gaming operations, which are not available for day to day unrestricted operations of the Association.

	2022	2021 Restated Note 13
BC Housing replacement reserve	\$ 297,228	\$ 379,721
Gaming funds	-	228,652
Total externally restricted funds	297,228	608,373
Internally restricted funds:		
Building fund reserve	150,000	150,000
Total restricted cash	\$ 447,228	\$ 758,373

**3. Tangible capital assets**

	2022		2021 Restated Note 13	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 483,019	\$ -	\$ 483,019	\$ 483,019
Buildings	2,566,359	1,486,575	1,079,784	1,124,775
Computer equipment	155,056	138,074	16,982	35,195
Furniture and fixtures	342,577	287,677	54,900	101,780
Leasehold improvements	1,367,840	1,248,321	119,519	392,330
Vehicle	382,292	57,344	324,948	347,292
	\$ 5,297,143	\$ 3,217,991	\$ 2,079,152	\$ 2,484,391

Canadian Mental Health Association – Kelowna and District Branch  
Notes to the financial statements  
March 31, 2022

4. Deferred revenue

	2022	2021 Restated Note 13
Foundry (various funders)	\$ 1,335,089	\$ 1,195,893
BC Housing	599,974	593,106
Providence Health	150,000	-
Other deferred revenue	429,715	441,820
	<b>\$ 2,514,778</b>	<b>\$ 2,230,819</b>

5. Mortgage payable

	2022	2021
Peoples Trust Company loan bearing interest at 2.43% per annum, repayable in monthly blended payments of \$8,665. Matures April 1, 2025 and secured by specific property which has a carrying value of \$1,123,968.	\$ 1,010,092	\$ 1,088,621
Less: Current portion	(80,449)	(78,529)
	<b>\$ 929,643</b>	<b>\$ 1,010,092</b>

Principal repayments due over the next two years and thereafter are approximately as follows:

2023	\$ 80,449
2024	82,415
Thereafter	847,228
	<b>\$ 1,010,092</b>

Canadian Mental Health Association – Kelowna and District Branch  
Notes to the financial statements  
March 31, 2022

**6. Deferred capital contributions**

Deferred capital contributions related to tangible capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2022	2021 Restated Note 13
Balance, beginning of year	\$ 953,010	\$ 1,297,531
Contributions	42,450	20,615
Amounts amortized to revenue in the year	(375,371)	(365,136)
Balance, end of year	\$ 620,089	\$ 953,010
Unspent portion of deferred capital	\$ 150,000	\$ 150,000

**7. Replacement reserves**

Under the terms of the agreement with BC Housing, the replacement reserve accounts are to be credited in 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, the Credit Union Deposit Insurance Corporation, in investments guaranteed by the Canadian government or in other investment instruments as agreed upon with BC Housing. The funds are to be used for tangible capital asset purchases or other repairs and maintenance to ensure that the buildings continue to be functional over their useful lives.

	Rosemead Apartments	Willowbridge Apartments	2022	2021
Balance, beginning year	\$ 93,165	\$ 286,556	\$ 379,721	\$ 397,260
BC Housing adjustment	-	(22,519)	(22,519)	(6,257)
Annual allocation	16,560	28,800	45,360	45,360
Interest income	434	904	1,338	4,628
Approved expenditures	(57,219)	(49,453)	(106,672)	(61,270)
Balance, end of year	\$ 52,940	\$ 244,288	\$ 297,228	\$ 379,721

**8. Internally restricted**

The Board of Directors of the Association has established an internally restricted building fund to be used for any future unexpected or unbudgeted capital expenditures of the Association's programs. The balance at the year-end is \$150,000 (2021 - \$150,000).

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Canadian Mental Health Association – Kelowna and District Branch  
Notes to the financial statements  
March 31, 2022

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**9. Commitments**

The Association has operating lease commitments for various program locations, with expiry dates between 2022 and 2027. Minimum payments expected in each of the next five fiscal years are approximately:

2023	\$	335,349
2024		186,651
2025		189,746
2026		189,746
2027		181,839
	\$	1,083,331

**10. British Columbia Societies Act**

The British Columbia Societies Act includes a requirement to disclose the remuneration, if any, paid to directors, and the remuneration paid to the ten highest paid employees, and contractors who were paid at least \$75,000 annually. The Association had three (2021 - three) individuals covered by this disclosure requirement, whose remuneration for the fiscal year totalled \$355,502 (2021 - \$362,466).

**11. Economic dependence**

The Association receives a majority of its revenue from government sources, notably from the Province of BC through BC Housing Management Commission, and Interior Health Authority. The contracts are renewed on an annual basis. Any disruption of these funding arrangements could have a significant impact on the Association's operations.

**12. Financial risk and concentration of risks**

The Association is exposed to interest rate risks with respect to its cash and cash equivalents. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant currency, liquidity or credit risks. The maximum credit risk exposure of the Association's financial assets is the carrying value of the assets.

Canadian Mental Health Association – Kelowna and District Branch  
Notes to the financial statements  
March 31, 2022

**13. Changes in accounting policy and correction of prior period error**

During the year the Association decided to change from the Restricted Fund Method of accounting for contributions to the Deferral Method, as using the Deferral Method provided more relevant information to the readers of the financial statements. In addition to this, an error in prior period recognition of tangible capital assets and deferred capital contributions related to asset ownership has been corrected. The March 31, 2021 comparative figures have been restated for this change in policy and correction of error, resulting in the following changes to the amounts that were previously reported.

	Previously reported	Accounting policy adjustment	Error adjustment	Restated
Statement of Financial Position				
Tangible capital assets	\$ 2,658,654	\$ -	\$ (174,263)	\$ 2,484,391
Deferred revenue	2,174,840	55,979	-	2,230,819
Deferred capital contributions	1,112,827	-	(159,817)	953,010
Unrestricted net assets	2,291,524	(182,787)	-	2,108,737
Invested in tangible capital assets	607,206	-	(14,446)	592,760
Replacement reserves	402,911	(23,190)	-	379,721
Internally restricted	-	150,000	-	150,000
Statement of Cash Flows				
Purchase of tangible capital assets	(316,465)	-	77,348	(239,117)
Deferred capital contributions	97,963	-	(77,348)	20,615

**14. Comparative figures**

Some of the comparative figures have been reclassified, where applicable, to conform to the current year's presentation.