

Financial Statements

Canadian Mental Health Association – Kelowna and
District Branch

March 31, 2023

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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, 2023, 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, 2023, 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.

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
June 26, 2023


Grant Thornton LLP
Chartered Professional Accountants

Canadian Mental Health Association - Kelowna and District Branch
Statement of financial position
March 31

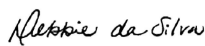
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 5,455,098	\$ 5,123,561
Accounts receivable	1,425,031	564,292
Prepaid expenses and deposits	160,044	168,637
	<u>7,040,173</u>	<u>5,856,490</u>
Restricted cash (Note 2)	619,570	447,228
Tangible capital assets (Note 3)	1,833,854	2,079,152
	<u>\$ 9,493,597</u>	<u>\$ 8,382,870</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 823,441	\$ 555,844
Government remittances payable	-	36,998
Deferred revenue (Note 4)	3,065,230	2,514,778
Deposits held	77,631	66,288
Current portion of mortgage payable (Note 5)	82,415	80,449
	<u>4,048,717</u>	<u>3,254,357</u>
Mortgage payable (Note 5)	847,228	929,643
Deferred capital contributions (Note 6)	467,866	620,089
	<u>5,363,811</u>	<u>4,804,089</u>
Net assets		
Unrestricted	3,036,426	2,532,581
Invested in tangible capital assets	626,345	598,972
Replacement reserves (Note 7)	317,015	297,228
Internally restricted (Note 8)	150,000	150,000
	<u>4,129,786</u>	<u>3,578,781</u>
Commitments (Note 9)		
	<u>\$ 9,493,597</u>	<u>\$ 8,382,870</u>

See accompanying notes to the financial statements.

On behalf of the Board:


Bree Hanley (Jun 26, 2023 17:15 PDT)

Director



Director

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

	2023	2022
Revenue		
BC Housing Management Commission	\$ 6,889,278	\$ 5,777,656
Other government contracts	2,286,539	1,418,649
Other contributions & grants	1,218,147	1,523,299
Tenants' rent	994,436	1,139,825
Donations	354,773	558,748
Interest	121,251	10,108
Other	103,792	323,525
Sales and workshops	5,637	35,304
	11,973,853	10,787,114
Expenses		
Advertising	35,137	43,180
Bank charges and processing fees	36,086	30,049
Contract fees and honorarium	317,580	259,678
Insurance	97,239	94,287
Interest on mortgage	23,534	25,454
Office and administration	202,324	184,600
Phone and internet	142,840	148,236
Professional fees	38,950	32,023
Program supplies and activities	602,489	533,471
Rent and property tax	192,133	374,577
Rent subsidies	653,390	658,244
Repairs and maintenance	835,072	543,644
Salaries, wages and benefits	7,759,697	7,051,623
Travel and conferences	73,607	61,783
Utilities	309,970	333,270
	11,320,048	10,374,119
Excess of revenues over expenses before undernoted items	653,805	412,995
Other income (expense):		
Amortization of deferred capital contributions	192,223	375,371
Amortization of tangible capital assets	(295,023)	(440,803)
	(102,800)	(65,432)
Excess of revenues over expenses	\$ 551,005	\$ 347,563

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	Unrestricted	Invested in tangible capital assets	Total 2023	2022
Net assets, beginning of year	\$ 150,000	\$ 297,228	\$ 2,532,581	\$ 598,972	\$ 3,578,781	\$ 3,231,218
Excess of revenues over expenses	-	-	551,005	-	551,005	347,563
Net investment in tangible capital assets	-	-	(49,724)	49,724	-	-
Amortization of tangible capital assets	-	-	295,023	(295,023)	-	-
Amortization of deferred capital contributions	-	-	(192,223)	192,223	-	-
Principal reduction of mortgage	-	-	(80,449)	80,449	-	-
Transfers in net assets	-	19,787	(19,787)	-	-	-
Net assets, end of year	\$ 150,000	\$ 317,015	\$ 3,036,426	\$ 626,345	\$ 4,129,786	\$ 3,578,781

See accompanying notes to the financial statements.

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 551,005	\$ 347,563
Adjustment for non-cash items		
Amortization of tangible capital assets	(295,023)	(440,803)
Amortization of deferred capital contributions	(192,223)	(375,371)
	(487,246)	(816,174)
Changes in non-cash operating working capital		
Accounts receivable	(860,739)	(382,633)
Prepaid expenses and deposits	8,593	28,628
Accounts payable and accrued liabilities	267,597	102,627
Government remittances payable	(36,998)	94,940
Deferred revenue	550,452	283,959
Deposits held	11,343	13,468
	(59,752)	140,989
	\$ 4,007	\$ (327,622)
Investing activities		
Net purchase of tangible capital assets	540,321	846,042
Net change in restricted cash	(172,342)	311,145
	\$ 367,979	\$ 1,157,187
Financing activities		
Deferred capital contributions received	40,000	42,450
Repayment of debt	(80,449)	(78,529)
	(40,449)	(36,079)
Increase in cash and cash equivalents	331,537	793,486
Cash and cash equivalents, beginning of year	5,123,561	4,330,075
Cash and cash equivalents, end of year	\$ 5,455,098	\$ 5,123,561

See accompanying notes to the financial statements.

Canadian Mental Health Association – Kelowna and District Branch

Notes to the financial statements

March 31, 2023

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, guaranteed investment certificates and short-term deposits that are readily convertible into cash.

Canadian Mental Health Association – Kelowna and District Branch

Notes to the financial statements

March 31, 2023

1. Significant accounting policies (continued)

d) Tangible capital assets:

Tangible capital assets are recorded 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
	2-5 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. Impairment losses recognized are not reversed.

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, 2023

2. Restricted cash and internally restricted net assets:

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

	2023	2022
Externally restricted funds:		
BC Housing Management Commission replacement reserve (Note 7)	\$ 317,015	\$ 297,228
Community Gaming Grant program funds	152,555	-
	469,570	297,228
Internally restricted funds:		
Building fund reserve	150,000	150,000
Total restricted cash	\$ 619,570	\$ 447,228

3. Tangible capital assets

				2023		2022	
	Cost	Accumulated amortization		Net book value		Net book value	
Land	\$ 483,019	\$ -	\$	483,019	\$	483,019	
Buildings	2,566,359	1,529,767		1,036,592		1,079,784	
Computer equipment	154,556	147,788		6,768		16,982	
Furniture and fixtures	348,897	316,529		32,368		54,900	
Leasehold improvements	1,405,429	1,371,599		33,830		119,519	
Vehicle	388,043	146,766		241,277		324,948	
	\$ 5,346,303	\$ 3,512,449	\$	1,833,854	\$	2,079,152	

4. Deferred revenue

	2023	2022
Foundry	\$ 2,019,491	\$ 1,335,089
BC Housing Management Commission	235,140	599,974
Providence Health Care Society	219,470	150,000
Other	591,129	429,715
	\$ 3,065,230	\$ 2,514,778

Canadian Mental Health Association – Kelowna and District Branch

Notes to the financial statements

March 31, 2023

5. Mortgage payable

	2023	2022
Peoples Trust Company 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 \$1,092,530.	\$ 929,643	\$ 1,010,092
Less: Current portion	(82,415)	(80,449)
	\$ 847,228	\$ 929,643
Principal repayments due over the next two years and thereafter are approximately as follows:		
2024	\$	82,415
2025		84,430
Thereafter		762,798
	\$	929,643

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.

	2023	2022
Balance, beginning of year	\$ 620,089	\$ 953,010
Contributions received	40,000	42,450
Amounts amortized to revenue	(192,223)	(375,371)
Balance, end of year	\$ 467,866	\$ 620,089
Unspent portion of deferred capital	\$ 190,000	\$ 150,000

Canadian Mental Health Association – Kelowna and District Branch

Notes to the financial statements

March 31, 2023

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, or 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	2023	2022
Balance, beginning of year	\$ 52,940	\$ 244,288	\$ 297,228	\$ 379,721
Adjustment (Schedule 1 (c))	788	(7,883)	(7,095)	(22,519)
Annual allocation	16,560	28,800	45,360	45,360
Interest income	530	2,450	2,980	1,338
Approved expenditures	(4,313)	(17,145)	(21,458)	(106,672)
Balance, end of year	\$ 66,505	\$ 250,510	\$ 317,015	\$ 297,228

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 (2022 - \$150,000).

9. Commitments

The Association has operating lease commitments for various program locations, with expiry dates between 2023 and 2027. Minimum payments expected in each of the next four fiscal years are approximately:

2024	\$ 345,759
2025	197,795
2026	193,320
2027	179,130
	\$ 916,004

Canadian Mental Health Association – Kelowna and District Branch

Notes to the financial statements

March 31, 2023

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 nine (2022 - three) individual employees covered by this disclosure requirement, whose remuneration for the fiscal year totalled \$815,200 (2022 - \$355,502).

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.

13. Comparative figures

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