

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Financial Statements

Year Ended March 31, 2012

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

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Year Ended March 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Mental Health Association - Kelowna Branch

We have audited the accompanying financial statements of Canadian Mental Health Association - Kelowna Branch, which comprise the statement of financial positions as at March 31, 2012, March 31, 2011 and April 1, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association - Kelowna Branch as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and its cash flow for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink, reading "Adams Heymen Owen". The signature is written in a cursive, flowing style.

Kelowna, British Columbia

June 14, 2012

CHARTERED ACCOUNTANTS


CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

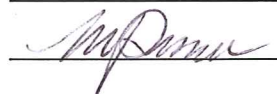
Statement of Financial Position

March 31, 2012

	March 31 2012	March 31 2011	April 1 2010
ASSETS			
CURRENT			
Cash unrestricted funds	\$ 531,339	\$ 414,508	\$ 302,280
Accounts receivable	26,175	37,389	7,877
Cash restricted funds (Note 5)	64,251	75,688	59,335
Harmonized sales tax recoverable	24,984	21,764	3,906
Marketable Securities - restricted funds	-	-	6,835
Prepaid expense	10,572	11,103	9,086
	<u>657,321</u>	<u>560,452</u>	<u>389,319</u>
PROPERTY, PLANT AND EQUIPMENT (PP&E) (Note 7)	<u>1,942,203</u>	<u>1,974,667</u>	<u>1,957,266</u>
REPLACEMENT RESERVE FUNDS (Note 6)	<u>191,198</u>	<u>166,427</u>	<u>140,501</u>
	<u>\$ 2,790,722</u>	<u>\$ 2,701,546</u>	<u>\$ 2,487,086</u>
LIABILITIES			
CURRENT			
Accounts payable	\$ 71,952	\$ 90,259	\$ 47,199
Rent security deposits	16,839	23,350	6,740
Source deductions payable	12,173	20,203	11,800
Current portion of mortgage payable (Note 8)	57,010	55,206	52,966
Deferred revenue	270,659	212,386	138,167
	<u>428,633</u>	<u>401,404</u>	<u>256,872</u>
MORTGAGE PAYABLE (Note 8)	<u>1,642,388</u>	<u>1,699,785</u>	<u>1,754,991</u>
	<u>2,071,021</u>	<u>2,101,189</u>	<u>2,011,863</u>
NET ASSETS (DEFICIENCY)			
Unrestricted net assets (Page 7)	689,228	606,836	504,694
Restricted net assets (deficiency) (Page 6)	30,473	(6,479)	(29,471)
	<u>719,701</u>	<u>600,357</u>	<u>475,223</u>
	<u>\$ 2,790,722</u>	<u>\$ 2,701,546</u>	<u>\$ 2,487,086</u>

ON BEHALF OF THE BOARD

 Director

 Director

See accompanying notes to the financial statements.

adams|heymen|owen

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Statement of Revenue and Expenditure - Restricted Funds

Year Ended March 31, 2012

	Restricted Funds							
		Rosemead Apartments			Willowbridge			
	Gaming	Building		Program	Building		Total	Total
	Fund	Operations	PP&E	Service	Operations	PP&E	2012	2011
Revenue								
BC Gaming	\$ 52,700	\$ -	\$ -	-	\$ -	\$ -	\$ 52,700	\$ 79,750
BC Housing	-	165,642	-	474,499	-	-	640,141	421,545
Tenants' rents	-	87,630	-	-	165,427	-	253,057	175,060
Interest	-	3,134	-	-	518	-	3,652	1,690
Donations	23,015	-	-	1,000	-	-	24,015	894
Other income	170	7,773	-	113	1,661	-	9,716	9,027
	75,885	264,179	-	475,611	167,606	-	983,281	687,966
Expenditure								
Administration fee	5,443	14,535	-	-	27,393	-	47,371	35,143
Amortization	-	-	50,657	-	-	285	50,942	51,449
Advertising and promotion	2,880	-	-	271	-	-	3,151	2,402
Bank charges	-	402	-	-	490	-	892	650
Conference and education	-	-	-	3,953	67	-	4,020	1,497
Contract fees and honorarium	2,050	-	-	62,298	12,162	-	76,510	48,445
Dues and memberships	664	419	-	158	393	-	1,635	399
Insurance	-	5,279	-	-	2,367	-	7,646	7,425
Interest on long term debt	-	55,325	-	-	-	-	55,325	59,713
Kitchen supplies	-	-	-	-	-	-	-	2,779
Laundry	-	2,522	-	-	-	-	2,522	793
Office	864	477	-	-	5,670	-	7,011	4,801
Parking	-	2,790	-	-	-	-	2,790	1,945
Professional fees	-	5,778	-	-	5,615	-	11,393	6,029
Program supplies & activities	10,619	52	-	32,864	6,694	-	50,229	10,462
Property tax	-	11,616	-	-	-	-	11,616	12,417
Rent subsidy adjustment	-	8,559	-	-	-	-	8,559	17,500
Repairs and maintenance	277	14,215	-	-	7,713	-	22,205	22,134
Salaries and wages	56,767	34,859	-	381,778	15,549	-	488,953	309,094
Telephone	493	1,567	-	-	5,267	-	7,327	4,558
Travel	65	-	-	1,936	-	-	2,001	-
Utilities	7,200	38,247	-	-	38,077	-	83,524	65,341
Vehicle	-	-	-	-	708	-	708	-
	87,322	196,642	50,657	483,258	128,165	285	946,329	664,974
Revenue (expenditure), net for year								
	\$(11,437)	\$67,537	\$(50,657)	\$ (7,647)	\$ 39,441	\$ (285)	\$ 36,952	\$ 22,992

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Statement of Revenue and Expenditure - Unrestricted Funds

Year Ended March 31, 2012

	Unrestricted	PP&E	Total 2012	Total 2011
Revenue				
Administration fee	\$ 47,899	-	\$ 47,899	\$ 36,968
Conference	176,367	-	176,367	-
Contracts	598,677	-	598,677	647,063
Donations	55,119	-	55,119	38,871
Grants	207,111	-	207,111	210,274
Other income	23,135	-	23,135	1,426
Rent	7,200	-	7,200	4,800
Sales	34,554	-	34,554	40,167
United Way	49,142	-	49,142	49,347
Willowbridge construction	-	-	-	13,790
	1,199,204	-	1,199,204	1,042,706
Expenditure				
Advertising	2,126	-	2,126	3,003
Amortization	-	21,304	21,304	20,959
Bank charges	4,803	-	4,803	1,056
Conference and education	8,272	-	8,272	6,184
Contract fees and honorarium	50,390	-	50,390	9,774
Dues and memberships	12,658	-	12,658	3,904
Insurance	5,979	-	5,979	5,671
Office	19,881	-	19,881	13,764
Professional fees	-	-	-	2,806
Programs and activities	244,450	-	244,450	163,275
Property tax	50	-	50	50
Repairs and maintenance	15,418	-	15,418	26,048
Salaries and wages	694,950	-	694,950	646,200
Telephone	10,028	-	10,028	10,828
Travel	9,404	-	9,404	11,406
Utilities	12,426	-	12,426	12,721
Vehicle	1,689	-	1,689	2,915
	1,092,524	21,304	1,113,828	940,564
Loss on disposal of equipment	2,984		2,984	-
Revenue (expenditure), net for year	\$ 103,696	\$ (21,304)	\$ 82,391	\$ 102,142

See accompanying notes to the financial statements.

Year Ended March 31, 2012

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Statement of Changes in Net Assets - Unrestricted Funds

Year Ended March 31, 2012

			Total	Total
	Unrestricted	Invested in PP&E	2012	2011
Net assets, beginning of year	\$ 146,032	\$ 460,804	\$ 606,836	\$ 504,694
Revenue (expenditure), net for year	103,696	(21,304)	82,392	102,142
Property, plant & equipment purchased	(13,785)	13,785	-	-
Net assets (deficiency), end of year	\$ 235,943	\$ 453,285	\$ 689,228	\$ 606,836

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Statement of Cash Flow

Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenues over expenditures - Restricted Funds	\$ 36,952	\$ 22,992
Excess of revenues over expenditures - Unrestricted Funds	82,391	102,142
	119,343	125,134
Items not affecting cash:		
Amortization of property, plant & equipment	21,304	20,959
Amortization - Rosemead building	50,657	51,449
Amortization - Willowbridge	285	
Loss on disposal of asset	2,984	-
	75,230	72,408
Changes in non-cash working capital		
Accounts receivable	7,987	(47,371)
Prepaid expenditures	532	(2,017)
Accounts payable	(26,332)	51,465
Rent security deposits	(6,511)	16,610
Deferred revenue	58,273	74,219
	33,949	92,906
Cash flows from operating activities	228,522	290,448
INVESTING ACTIVITIES		
Purchase of property, plant and equipment - Restricted Fund	(28,979)	(5,606)
Purchase of property, plant and equipment - Unrestricted Fund	(13,785)	(84,204)
Cash flow used by investing activities	(42,764)	(89,810)
FINANCING ACTIVITIES		
Mortgage principle repayments	(55,593)	(52,966)
Cash flow from financing activities	(55,593)	(52,966)
INCREASE (DECREASE) IN CASH FLOW	130,165	147,672
Cash - beginning of year	656,623	508,951
CASH - END OF YEAR	\$ 786,788	\$ 656,623
CASH CONSISTS OF:		
Cash unrestricted funds	\$ 531,339	\$ 414,508
Cash restricted funds	64,251	75,688
Replacement reserve funds	191,198	166,427
	\$ 786,788	\$ 656,623

See accompanying notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Notes to Financial Statements

Year Ended March 31, 2012

1. DESCRIPTION OF BUSINESS

The Canadian Mental Health Association - Kelowna Branch (the Association) is a branch of the Canadian Mental Health Association and is incorporated under the Society 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 community education, influencing public policy, research and service.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Association early adopted Canadian accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in changes to beginning equity and restatement of certain assets and liabilities as described below.

a) The balance sheet at April 1, 2010 has been restated as follows:

	<i>April 1</i> 2010	Adjustment	Restated
Accounts receivable	\$ 11,783	\$ (3,906)	\$ 7,877
Harmonized sales tax recoverable	-	3,906	3,906
Accounts payable	58,999	(11,800)	47,199
Source deductions payable	-	11,800	11,800
Total	\$ 70,782	\$ -	\$ 70,782

3. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Notes to Financial Statements

Year Ended March 31, 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Kelowna Branch of the Association has adopted the use of fund accounting which is an accepted method of accounting for non-profit organizations. The funds are segregated into restricted and non-restricted funds depending on financing requirements.

Restricted funds consist of the Rosemead Apartment Fund, The Willowbridge Fund and the Gaming Fund. The Rosemead Apartment Fund and the Willowbridge Fund each receives funding from the British Columbia Housing Management Commission (BC Housing) which may only be used for the operations of the related apartment complexes. The Gaming Fund receives revenue from the B.C. Gaming Commission. Expenditure of these funds must comply with the policies and procedures of the B.C. Gaming Commission.

Non-restricted funds include the administrative and program activities of the Kelowna Branch.

The Capital Assets Fund reports the ownership and equity related to capital assets.

The Replacement Reserve Fund reports the assets, liabilities, revenues and expenses related to capital asset replacement activities.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on hand, and marketable securities.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in revenues and expenses in the period in which they become known. Actual results could differ from these estimates.

Administration fee

An administration fee was charged to Rosemead Apartment and to Willowbridge by the Kelowna Branch in the amount of \$14,535 (2011 - \$13,363) and \$27,393 (2011 - \$18,262) respectively for administrative services;

Property, plant and equipment

Buildings	4%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	4 years	straight-line method
Furniture and fixtures	20%	declining balance method

Deferred revenue

Deferred revenue reported in the Rosemead Apartment Fund and Willowbridge Fund represents restricted operating funds received in the current year that is related to the subsequent period.

(continues)

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Notes to Financial Statements

Year Ended March 31, 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Contributions from B.C. Housing

Contributions received from B.C. Housing for the Replacement Reserve Fund have been reported as inter-fund transfer from the Housing Fund to the Replacement Reserve Fund.

Tenant rent contributions

The Association has on file verification of the income of all tenants as required by the operating agreement with B.C. Housing. The Tenant Rent Contributions, as approved by B.C. Housing, are being charged to the Rent-Geared-To Income Tenants.

Other revenue

All other contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Interest revenue is recognized as it is earned.

Contributed services

Volunteers contribute many hours per year to assist in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

5. RESTRICTED CASH

	2012	2011
BC Gaming account	\$ 64,251	\$ 75,688

Restricted cash is made up of cash received from the BC Gaming fund and is restricted for use toward the Artwork Studio Program and the Mental Health Promotion Program.

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

Notes to Financial Statements

Year Ended March 31, 2012

6. REPLACEMENT RESERVE FUNDS

Under the terms of an agreement with B.C. 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 a Canadian government or in other investment instruments as agreed upon with B.C. Housing. The funds are to be used to replace major items that periodically wear out to ensure the building continues to be functional over its useful life. At March 31, 2012 the Replacement Reserve Funds consists of:

	2012	2011
Rosemead		
Savings account	\$ 28,613	\$ 15,789
GIC - maturing April 2012	30,655	30,202
GIC - maturing October 2011	-	20,153
GIC - maturing October 2012	20,730	20,225
GIC - maturing October 2013	20,804	20,247
GIC - maturing October 2014	20,863	20,265
GIC - maturing October 2015	20,966	20,297
	142,631	147,178
Willowbridge		
Interior Savings WB Reserve	19,655	19,249
Interior Savings WB Reserve 2	28,912	-
	48,567	19,249
	\$ 191,198	\$ 166,427

During the year the Rosemead Replacement Reserve earned interest of \$1,268 (2011 - \$1,599), and incurred expenditures of \$26,505; Willowbridge Replacement Reserve earned interest of \$523 (2011 - \$49) and incurred no expenditures.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	\$ 483,019	\$ -	\$ 483,019	\$ 483,019
Buildings	2,392,498	984,681	1,407,817	1,451,258
Motor vehicles	40,950	35,100	5,850	8,357
Computer equipment	41,750	30,528	11,222	9,549
Furniture and fixtures	70,188	35,893	34,295	22,484
	\$ 3,028,405	\$ 1,086,202	\$ 1,942,203	\$ 1,974,667

CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH**Notes to Financial Statements****Year Ended March 31, 2012****8. MORTGAGE PAYABLE**

	2012	2011
Royal Bank loan bearing interest at 3.22% per annum, repayable in monthly blended payments of \$9,243. The loan matures on April 1, 2015 and is secured by specific property.	\$ 1,699,398	\$ 1,754,991
Amounts payable within one year	(57,010)	(55,206)
	\$ 1,642,388	\$ 1,699,785

Principal repayment terms are approximately:

2013	\$ 57,010
2014	58,873
2015	60,797
2016	62,784
2017	64,835
Thereafter	<u>1,395,099</u>
	<u>\$ 1,699,398</u>

9. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash equivalents, marketable securities, accounts receivable, replacement reserve funds, accounts payable, rent security deposits, and mortgage payable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

10. COMPARATIVE FIGURES

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

