

**CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH**

**Financial Statements**

**Year Ended March 31, 2013**

**CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH**

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**Year Ended March 31, 2013**

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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 position as at March 31, 2013 , 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 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

### Basis for Qualified Opinion

In prior years and current year, the Association has accounted for restricted contributions for certain programs following the deferral method of accounting for contributions. According to the Association's revenue recognition policy, the restricted fund method of accounting for contributions should have been used. The inconsistency in revenue recognition constitutes a departure from Canadian Accounting Standards for Not-for-Profit Organizations. The deferred revenue balance is reported in the statement of financial position at \$216,254. The Association's records indicate that had the restricted fund method of accounting for contributions been used, the deferred revenue balance would have been reported at \$147,142. Accordingly, the restricted net assets would have been increased by \$69,112. Due to the fact that the error was accumulated from current year and prior years, the impact on the statement of revenue and expenditure and the opening restricted net assets balance cannot be determined at this time.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2013, and its statement of revenue and expenditure and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.



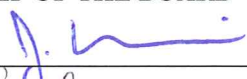
Kelowna, British Columbia  
June 25, 2013

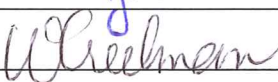
CHARTERED ACCOUNTANTS

**CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH****Statement of Financial Position****March 31, 2013**

	2013	2012
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash unrestricted funds	\$ 543,425	\$ 531,339
Cash restricted funds	39,685	64,251
Accounts receivable	33,237	26,175
Harmonized sales tax recoverable	26,328	24,984
Prepaid expense	11,961	10,572
	654,636	657,321
PROPERTY, PLANT AND EQUIPMENT (Note 6)	1,891,055	1,942,203
REPLACEMENT RESERVE FUNDS (Note 5)	229,218	191,198
	\$ 2,774,909	\$ 2,790,722
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 78,333	\$ 71,953
Rent security deposits	8,453	16,839
Source deductions payable	12,774	12,173
Current portion of mortgage payable (Note 7)	58,873	57,010
Deferred revenue	216,254	270,659
	374,687	428,634
MORTGAGE PAYABLE (Note 7)	1,583,516	1,642,388
	1,958,203	2,071,022
<b>NET ASSETS</b>		
Unrestricted net assets (Page 7)	731,110	689,228
Restricted net assets (Page 6)	85,596	30,472
	816,706	719,700
	\$ 2,774,909	\$ 2,790,722

**ON BEHALF OF THE BOARD**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See accompanying notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Statement of Revenue and Expenditure - Restricted Funds

Year Ended March 31, 2013

Restricted Funds								
	Gaming Fund	Rosemead Apartments		Willowbridge		Total 2013	Total 2012	
		Building Operations	PP&E	Program Service	Building Operations	PP&E		
<b>Revenue</b>								
BC Gaming	\$ 88,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,300	\$ 52,700
BC Housing	-	169,128	-	533,792	-	-	702,920	640,141
Donations	15,434	-	-	818	-	-	16,252	24,015
Grants	2,520	-	-	-	-	-	2,520	-
Interest	-	2,455	-	-	1,077	-	3,532	3,652
Other income	30,848	8,025	-	-	1,109	-	39,982	9,716
Tenants' rents	-	88,682	-	-	157,273	-	245,955	253,057
	137,102	268,290	-	534,610	159,459	-	1,099,461	983,281
<b>Expenditure</b>								
Administration fee	5,776	12,542	-	-	27,393	-	45,711	47,371
Amortization	-	-	49,603	-	-	1,078	50,681	50,942
Advertising and promotion	1,957	-	-	118	-	-	2,075	3,151
Bank charges	97	417	-	-	516	-	1,030	892
Conference and education	-	-	-	4,536	-	-	4,536	4,020
Contract fees and honorarium	3,680	-	-	65,689	15,120	-	84,489	76,510
Dues and memberships	697	273	-	-	674	-	1,644	1,635
Insurance	-	5,910	-	-	2,699	-	8,609	7,646
Interest on long term debt	-	53,908	-	-	-	-	53,908	55,325
Laundry	-	1,876	-	-	-	-	1,876	2,522
Office	989	72	-	3,230	868	-	5,159	7,011
Parking	-	2,558	-	-	-	-	2,558	2,790
Professional fees	-	5,778	-	-	3,504	-	9,282	11,393
Program supplies & activities	28,155	148	-	29,994	498	-	58,795	50,229
Property tax	-	15,988	-	-	-	-	15,988	11,616
Rent	7,200	-	-	-	-	-	7,200	7,200
Rent subsidy adjustment	-	-	-	-	-	-	-	8,559
Repairs and maintenance	752	28,245	-	-	17,926	-	46,923	22,205
Salaries and wages	110,401	35,628	-	393,850	15,479	-	555,358	488,953
Telephone	568	1,476	-	-	4,673	-	6,717	7,327
Travel	1,396	-	-	3,431	-	-	4,827	2,001
Utilities	-	38,012	-	-	38,960	-	76,972	76,324
Vehicle	-	-	-	-	-	-	-	708
	161,668	202,831	49,603	500,848	128,310	1,078	1,044,338	946,330
<b>Revenue (expenditure), net for year</b>	\$(24,566)	\$ 65,459	\$(49,603)	\$ 33,762	\$ 31,149	\$ (1,078)	\$ 55,123	\$ 36,951

See accompanying notes to the financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH**
**Statement of Revenue and Expenditure - Unrestricted Funds**
**Year Ended March 31, 2013**

	Unrestricted	PP&E	Total 2013	Total 2012
<b>Revenue</b>				
Administration fee	\$ 48,232	\$ -	\$ 48,232	\$ 47,899
Conference	-	-	-	176,367
Contracts	610,403	-	610,403	598,677
Donations	62,669	-	62,669	55,119
Grants	295,672	-	295,672	207,111
Other income	8,781	-	8,781	23,135
Rent	7,200	-	7,200	7,200
Sales	20,724	-	20,724	34,554
United Way	45,000	-	45,000	49,142
	1,098,681	-	1,098,681	1,199,204
<b>Expenditure</b>				
Advertising	641	-	641	2,126
Amortization	-	20,955	20,955	21,304
Bank charges	415	-	415	4,803
Conference and education	11,683	-	11,683	8,272
Contract fees and honorarium	59,855	-	59,855	50,390
Dues and memberships	4,838	-	4,838	12,658
Insurance	5,231	-	5,231	5,979
Office	11,603	-	11,603	19,881
Programs and activities	170,895	-	170,895	244,450
Property tax	50	-	50	50
Repairs and maintenance	17,233	-	17,233	15,418
Salaries and wages	722,531	-	722,531	694,950
Telephone	8,515	-	8,515	10,028
Travel	11,815	-	11,815	9,404
Utilities	11,157	-	11,157	12,426
Vehicle	1,055	-	1,055	1,689
	1,037,517	20,955	1,058,472	1,113,828
<b>Loss (gain) on disposal of equipment</b>	(1,673)	-	(1,673)	2,984
<b>Revenue (expenditure), net for year</b>	\$ 62,837	\$ (20,955)	\$ 41,882	\$ 82,392

See accompanying notes to the financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH**  
**Statement of Changes in Net Assets - Restricted funds**

**Year Ended March 31, 2013**

	Rosemead Apartments				Willowbridge					
	Gaming Fund	Replacement Reserve	Restricted Operations	Invested in PP&E	Replacement Reserve	Restricted Programs	Restricted Operations	Invested in PP&E	Total 2013	Total 2012
Net assets (deficiency), beginning of year	\$ 64,251	\$ 142,631	\$ 1,977	\$ (209,895)	\$ 48,567	\$ (7,647)	\$ (11,600)	\$ 2,189	\$ 30,473	\$ (6,479)
Revenue (expenditure), net for the year	(24,566)	-	65,459	(49,603)	-	33,762	31,149	(1,078)	55,123	\$ 36,951
Replacement reserve provision	-	17,238	(17,238)	-	28,800	-	(28,800)	-	-	-
Mortgage principal repayments	-	-	(57,010)	57,010	-	-	-	-	-	-
Interest on replacement reserve	-	2,168	(2,168)	-	1,077	-	(1,077)	-	-	-
Property plant & equipment purchased	-	-	-	-	-	-	(4,884)	4,884	-	-
Net assets (deficiency), end of year	\$ 39,685	\$ 162,037	\$ (8,980)	\$ (202,488)	\$ 78,444	\$ 26,115	\$ (15,212)	\$ 5,995	\$ 85,596	\$ 30,472

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, 2013**

			<b>Total</b>	<b>Total</b>
	Unrestricted	Invested in PP&E	<b>2013</b>	2012
<b>Net assets, beginning of year</b>	\$ 235,943	\$ 453,285	<b>\$ 689,228</b>	\$ 606,836
Revenue (expenditures), net for year	62,837	(20,955)	<b>41,882</b>	82,392
Net book value of property and equipment disposals	2,309	(2,309)	-	-
Property, plant & equipment purchased	(17,913)	17,913	-	-
<b>Net assets, end of year</b>	<b>\$ 283,176</b>	<b>\$ 447,934</b>	<b>\$ 731,110</b>	<b>\$ 689,228</b>

See accompanying notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Statement of Cash Flow

Year Ended March 31, 2013

	2013	2012
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures - Restricted Funds	\$ 55,123	\$ 36,951
Excess of revenues over expenditures - Unrestricted Funds	41,882	82,392
	<b>97,005</b>	<b>119,343</b>
Items not affecting cash:		
Amortization of property, plant & equipment	20,954	21,304
Amortization - Rosemead building	49,603	50,657
Amortization - Willowbridge	1,078	285
Loss (gain) on disposal of asset	(1,674)	2,984
	<b>69,961</b>	<b>75,230</b>
Changes in non-cash working capital		
Accounts receivable	(8,400)	7,987
Prepaid expenditures	(1,388)	532
Accounts payable	6,977	(26,332)
Rent security deposits	(8,386)	(6,511)
Deferred revenue	(54,405)	58,273
	<b>(65,602)</b>	<b>33,949</b>
Cash flows from operating activities	<b>101,364</b>	<b>228,522</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of assets	3,983	-
Purchase of property, plant and equipment - Restricted Fund	(4,884)	(28,979)
Purchase of property, plant and equipment - Unrestricted Fund	(17,913)	(13,785)
Cash flow used by investing activities	<b>(18,814)</b>	<b>(42,764)</b>
<b>FINANCING ACTIVITIES</b>		
Mortgage principle repayments	(57,010)	(55,593)
Cash flow from financing activities	<b>(57,010)</b>	<b>(55,593)</b>
<b>INCREASE IN CASH FLOW</b>	<b>25,540</b>	<b>130,165</b>
Cash - beginning of year	<b>786,788</b>	<b>656,623</b>
<b>CASH - END OF YEAR</b>	<b>\$ 812,328</b>	<b>\$ 786,788</b>
<b>CASH CONSISTS OF:</b>		
Cash unrestricted funds	\$ 543,425	\$ 531,339
Cash restricted funds	39,685	64,251
Replacement reserve funds	229,218	191,198
	<b>\$ 812,328</b>	<b>\$ 786,788</b>

See accompanying notes to the financial statements.

# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Notes to Financial Statements

Year Ended March 31, 2013

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### 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. BASIS OF PRESENTATION

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

### 3. 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, the Gaming Fund and other restricted funds.

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 grants from the BC Gaming Commission. Expenditure of this fund must comply with the policies and procedures of the BC Gaming Commission.

Other restricted funds receive funding and grants from BC Housing, Interior Health Authority, CMHA BC Division, CMHA Vernon and other federal and provincial organizations.

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.

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# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Notes to Financial Statements

Year Ended March 31, 2013

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Administration fee

An administration fee was charged to Rosemead Apartment and to Willowbridge by the Kelowna Branch in the amount of \$12,542 (2012 - \$14,535) and \$27,393 (2012 - \$27,393) respectively for administrative services.

#### Property, plant and equipment

Property, plant & equipment are recorded at cost less accumulated amortization. Property, plant & equipment are amortized over their estimated useful lives at the following rates and methods:

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

When the Association's management determines that certain property and equipment no longer contribute to the Association's ability to provide services, their carrying amount is written down.

#### Deferred contributions

Deferred contributions include restricted operating funding received in the current year or prior periods that is related to the subsequent period.

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# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Notes to Financial Statements

Year Ended March 31, 2013

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

The Association follows the restricted fund method of accounting for contributions.

#### Government funding and grants

Revenue from contracts from BC Housing, Interior Health Authority, CMHA BC Division, BC Gaming and other federal and provincial organizations are recognized in the corresponding restricted programs in the year the funding and grants are provided.

#### Tenant rent contributions

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

#### Other revenue

Fundraising and miscellaneous revenue are recognized in the respective programs in the current period when cash is received and the services or goods are provided.

Unrestricted income is recognized as revenue when earned in the general fund. Restricted interest income is recognized as revenue in the corresponding restricted funds.

Restricted donations are recognized as revenue in the corresponding restricted funds when cash is received. Unrestricted donations are recognized as revenue in the general fund when cash is received.

#### Replacement Reserve Fund from BC Housing

Contributions received from BC Housing for the Replacement Reserve Fund have been reported as an interfund transfer from the Housing Fund to the Replacement Reserve Fund.

#### Contributed services

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

### 4. RESTRICTED CASH

	2013	2012
BC Gaming account	\$ 39,685	\$ 64,251

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, 2013

### 5. 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. As of March 31, 2013 the Replacement Reserve Funds consist of:

	2013	2012
<b>Rosemead</b>		
Savings account	\$ 86,256	\$ 28,613
Interior Savings term investment - maturing April 2012	-	30,655
Interior Savings term investment - maturing October 2012	-	20,730
Interior Savings term investment - maturing October 2013	21,378	20,804
Interior Savings term investment - maturing October 2014	21,480	20,863
Interior Savings term investment - maturing October 2015	21,660	20,966
	<b>150,774</b>	<b>142,631</b>
<b>Willowbridge</b>		
Interior Savings term investment - maturing February 2013	-	19,655
Interior Savings term investment - maturing January 2014	29,522	28,912
Interior Savings term investment - maturing February 2015	20,064	-
BMO GIC - maturing February 2016	28,858	-
	<b>78,444</b>	<b>48,567</b>
	<b>\$ 229,218</b>	<b>\$ 191,198</b>

During the year the Rosemead Replacement Reserve earned interest of \$2,168 (2012 - \$1,268), and incurred expenditures of \$11,263 (2012 - \$26,505); Willowbridge Replacement Reserve earned interest of \$1,077 (2012 - \$518) and incurred no expenditures.

### 6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 483,019	\$ -	\$ 483,019	\$ 483,019
Buildings	2,392,498	1,040,994	1,351,504	1,407,817
Motor vehicles	40,950	36,855	4,095	5,850
Computer equipment	50,360	33,643	16,717	11,222
Furniture and fixtures	79,392	43,672	35,720	34,295
	<b>\$ 3,046,219</b>	<b>\$ 1,155,164</b>	<b>\$ 1,891,055</b>	<b>\$ 1,942,203</b>

# CANADIAN MENTAL HEALTH ASSOCIATION - KELOWNA BRANCH

## Notes to Financial Statements

Year Ended March 31, 2013

### 7. MORTGAGE PAYABLE

	2013	2012
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.	\$ 1,642,389	\$ 1,699,398
Amounts payable within one year	(58,873)	(57,010)
	<b>\$ 1,583,516</b>	<b>\$ 1,642,388</b>

Principal repayment terms are approximately:

2014	\$ 58,873
2015	60,797
2016	62,784
2017	64,835
2018	66,954
Thereafter	1,328,146
	<b><u>\$ 1,642,389</u></b>

### 8. 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.