

**CANADIAN MENTAL HEALTH ASSOCIATION,  
MID ISLAND BRANCH**

**FINANCIAL STATEMENTS**

**March 31, 2018**

*Partners*

Grant McDonald, CPA, CA\*

Lee-Anne Harrison, CPA, CA\*

Anna Jones, CPA, CA\*

Joanne Novak, CPA CA\*

\*incorporated



## AUDITORS' REPORT

To the Members

### Report on Financial Statements

We have audited the accompanying financial statements of the **Canadian Mental Health Association, Mid Island Branch**, which comprise the statements of financial position as at **March 31, 2018**, and the statements of changes in net assets, revenues and expenditures, and cash flows for the year then ended, 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 association'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 audit opinion.

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# AUDITORS' REPORT

(Continued)

## Basis for Qualified Opinion

As is common with many not-for-profit organizations, the association derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the association and we were not able to determine whether any adjustments might be necessary to donations and fundraising, excess of revenues over expenditures, assets, or net assets.

## 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 **Canadian Mental Health Association, Mid Island Branch** as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Report on Other Legal and Regulatory Requirements

As required by the *Society Act of British Columbia*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



**CHURCH PICKARD**

Chartered Professional Accountants

Nanaimo, B.C.

August 1, 2018

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## STATEMENT OF FINANCIAL POSITION

As at **March 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current</b>		
Cash and term deposits	\$ 449,935	\$ 514,325
Accounts receivable - Note 10	18,679	4,994
Prepaid expenses	<u>12,461</u>	<u>23,388</u>
	481,075	542,707
<b>Cash and investments</b> - internally and externally restricted - Note 3	336,354	326,763
<b>Due from related party</b> - Note 6	45,215	-
<b>Property and equipment</b> - Note 4	<u>2,208,601</u>	<u>2,262,681</u>
	<u>\$ 3,071,245</u>	<u>\$ 3,132,151</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities - Note 10	\$ 89,018	\$ 145,912
Wages payable	78,820	62,580
Deferred revenue - Note 11	185,267	156,604
Current portion of long-term debt - Note 9	<u>71,200</u>	<u>69,800</u>
	424,305	434,896
<b>Long-term debt</b> - Note 9	1,561,301	1,633,394
<b>Deferred contributions related to property and equipment</b> - Note 15	<u>2,040</u>	<u>2,915</u>
	<u>1,987,646</u>	<u>2,071,205</u>
<b>Net assets</b>		
Net investment in property and equipment	574,060	556,572
Internally restricted	79,704	79,704
Externally restricted	256,650	247,058
Unrestricted	<u>173,185</u>	<u>177,612</u>
	<u>1,083,599</u>	<u>1,060,946</u>
	<u>\$ 3,071,245</u>	<u>\$ 3,132,151</u>

Approved:




# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended **March 31, 2018**

	Investment				2018	2017
	in Property and Equipment	Internally Restricted	Externally Restricted	Unrestricted		
Balance, beginning of the year	\$ 556,572	\$ 79,704	\$ 247,058	\$ 177,612	\$ 1,060,946	\$ 824,955
Excess of revenues over expenditures (expenditures over revenues)	(65,982)	-	-	88,635	22,653	235,991
Principal payments on mortgages	70,693	-	-	(70,693)	-	-
Interest earned on restricted funds	-	-	695	(695)	-	-
Contributions to restricted funds	-	-	8,897	(8,897)	-	-
Purchase of property and equipment	12,777	-	-	(12,777)	-	-
Balance, end of the year	\$ 574,060	\$ 79,704	\$ 256,650	\$ 173,185	\$ 1,083,599	\$ 1,060,946

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## STATEMENT OF REVENUES AND EXPENDITURES

For the year ended **March 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
BC Housing	\$ 815,886	\$ 802,801
Island Health	612,320	328,952
Rental income	291,195	300,126
National employment program	116,176	132,701
CMHA BC	89,561	86,727
Program revenue	32,252	25,840
Gaming	23,549	1,710
Donations and fundraising	21,855	122,362
Canada Mortgage and Housing Corporation	20,117	18,441
Other income	7,606	10,379
Amortization of deferred capital contributions - Note 15	875	1,250
	<u>2,031,392</u>	<u>1,831,289</u>
<b>Expenditures</b>		
Wages and benefits	1,341,545	952,893
Program expenses	111,351	99,569
Utilities	101,973	92,950
Repairs and maintenance	96,127	80,986
Amortization	65,889	68,749
Interest on long-term debt	38,822	40,840
Professional fees	34,159	68,998
Rent	34,037	13,435
Office	33,580	40,998
Insurance	29,878	28,898
Travel	28,220	30,304
Security	26,759	28,188
Advertising and promotion	21,942	9,068
Telephone	16,615	14,397
Training	9,163	7,762
Memberships	5,453	4,834
Vehicle operation	5,352	4,371
Bank charges	3,670	3,629
Property taxes	2,350	2,939
Fundraising	886	1,490
	<u>2,007,771</u>	<u>1,595,298</u>
<b>Excess of expenditures over revenues before other expenses</b>	23,621	235,991
<b>Loss on disposal of property and equipment</b>	(968)	-
<b>Excess of revenues over expenditures</b>	<u>\$ 22,653</u>	<u>\$ 235,991</u>

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## STATEMENT OF CASH FLOWS

For the year ended **March 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Cash provided (used):</b>		
<b>Operating activities</b>		
Excess of expenditures over revenues	\$ 22,653	\$ 235,991
Items not involving cash		
Amortization	65,889	68,749
Loss on disposal of property and equipment	968	-
Amortization of deferred capital contributions	<u>(875)</u>	<u>(1,250)</u>
	88,635	303,490
Changes in non-cash operating accounts		
Increase in accounts receivable	(13,685)	(124)
Decrease (increase) in prepaid expenses	10,927	(17,162)
(Decrease) increase in accounts payable and accrued liabilities, and wages payable	(40,654)	61,726
Increase (decrease) in deferred revenue	<u>28,663</u>	<u>(55,953)</u>
	<u>73,886</u>	<u>291,977</u>
<b>Investing activities</b>		
Purchase of property and equipment	<u>(12,777)</u>	<u>(48,798)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(70,693)	(66,899)
Advances to related parties	<u>(45,215)</u>	<u>-</u>
	<u>(115,908)</u>	<u>(66,899)</u>
<b>(Decrease) increase in cash</b>	(54,799)	176,280
<b>Cash and cash equivalents, beginning of the year</b>	<u>841,088</u>	<u>664,808</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 786,289</u>	<u>\$ 841,088</u>
<b>Cash and cash equivalents are defined as:</b>		
Cash and term deposits	\$ 449,935	\$ 514,325
Cash and investments - restricted	<u>336,354</u>	<u>326,763</u>
	<u>\$ 786,289</u>	<u>\$ 841,088</u>

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### 1. Purpose of the association

Canadian Mental Health Association, Mid Island Branch is part of a national and provincial association that has existed for nearly 100 years and is the nationwide leader and champion for mental health. The association's vision is mentally healthy people in a healthy society. It promotes mental wellness by working to reduce the stigma and silence around mental illness and substance misuse as well as by providing services to community members who are living with challenges. Its programs include homelessness outreach, supported housing, food security, vocational support, social groups, as well as wellness recovery education and support. It promotes inclusiveness in the community through public education and influencing policy. It is dedicated to understanding the ever-changing mental health needs within the community, and responds with projects that are based on principles of empowerment, support, and wellness.

### 2. Significant accounting policies

- Basis of accounting

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

- Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

- Property and equipment

Property and equipment are recorded at cost. Amortization is recorded on a declining-balance basis, except for the leases which are amortized on a straight-line basis. The amortization rates of the assets are as follows:

Balmoral Hotel building	3%
Vehicles	20%
Furniture and equipment	20%
Leasehold improvements	20%
Computer hardware	55%
Courtenay lease interest	60 years
Courtenay land lease	60 years

In the year of acquisition, amortization is recorded at one-half of these rates.



# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### **2. Significant accounting policies - continued**

#### - Revenue recognition

The association follows the deferral method of accounting for revenue. Contributions received are recognized in the period to which the funding contract relates. Program funds received in advance of service performed are recorded as deferred revenue. Grants, donations, and gaming revenue with external restrictions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized when received or receivable if the amount can be reasonably estimated and collection is assured. Revenue from events are recognized when the event occurs and when the amount can be reasonably estimated and collection is reasonably assured.

#### - Use of estimates

The preparation of the financial statements of the association 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the collectibility of accounts receivable, estimated useful life of property and equipment, the estimated usage of the banked sick time, and the amount of deferred revenue. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

#### - Donated property and equipment

Donated property and equipment materials are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the association's operations and would otherwise have been purchased.

### **3. Internally and externally restricted cash and investments**

The short-term investments consist of several GICs, having interest rates ranging from 0.05% to 0.60% and maturing at various dates from April 3, 2018 to February 26, 2019. The long-term investment consists entirely of a Canadian GIC having an interest rate of 1.6393% per annum and maturing on November 7, 2020. Investments are initially and subsequently measured at cost. Transaction costs that are directly attributable to the acquisition of this investment are recognized in the net income in the period incurred.

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

### 3. Internally and externally restricted cash and investments - cont.

	2018	2017
Cash		
Externally restricted for BC Housing	\$ 256,650	\$ 214,051
Internally restricted for operations	<u>59,703</u>	<u>59,767</u>
	<u>316,353</u>	<u>273,818</u>
GICs		
Externally restricted for BC Housing	-	33,007
Internally restricted for operations	<u>20,001</u>	<u>19,938</u>
	<u>20,001</u>	<u>52,945</u>
	<u>\$ 336,354</u>	<u>\$ 326,763</u>

Under the terms of the agreement with BC Housing, the replacement reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned. These funds, along with the 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 a Canadian government, or in other investment instruments as agreed upon with BC Housing.

The reserve funds may only be used for capital repairs and replacements in accordance with the operating agreement.

The internally restricted fund is for a future office building, program development, staff training, website upgrades, and a Balmoral contingency fund. This amount is not available for any other purposes without appropriate board approval.

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

### 4. Property and equipment

	Cost	Accumulated Amortization	Net 2018	Net 2017
Land	\$ 371,338	\$ -	\$ 371,338	\$ 371,338
Balmoral Hotel building	1,604,506	355,427	1,249,079	1,287,710
Vehicles	15,343	14,545	798	997
Furniture and equipment	122,507	63,405	59,102	59,503
Leasehold improvements	-	-	-	968
Computer hardware	13,299	11,380	1,919	4,267
Courtenay lease interest	626,025	137,427	488,598	499,031
Courtenay land lease	<u>66,007</u>	<u>28,240</u>	<u>37,767</u>	<u>38,867</u>
	<u>\$ 2,819,025</u>	<u>\$ 610,424</u>	<u>\$ 2,208,601</u>	<u>\$ 2,262,681</u>

The Wesley Street building and its contents are owned by BC Housing and, as such, are not recorded in the financial statements of the association.

### 5. Bank advances

The association has a \$30,000 line of credit available with CIBC at an interest rate of prime plus 0.50% per annum. This is secured by a GIC with a principal balance of \$30,926 that matures on April 3, 2018. The association did not utilize this financing during the year.

### 6. Due from related party

These balances are unsecured, non-interest bearing, with no specific terms of repayment.

	2018	2017
CMHA BC	\$ 46,215	\$ -
CMHA Cowichan	<u>(1,000)</u>	<u>-</u>
	<u>\$ 45,215</u>	<u>\$ -</u>

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### **7. Related party transactions**

The Canadian Mental Health Association, Mid Island Branch, is a branch of a national charity with various locations across Canada. In the current year, this association paid membership fees to CMHA National in the amount of \$2,000 (2017 - \$4,603), received revenue for the National Employment Program from CMHA Toronto \$116,176 (2017 - \$132,701), received revenue from CMHA Port Alberni of \$260 (2017 \$0), paid fees to CMHA Cowichan Valley of \$1,000 (2017 - \$0) and revenue less expenses from CMHA BC of \$60,147 (2017 - \$67,831) primarily for the Gatekeeper program. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **8. Contingent liability**

Based on the current union contract, sick pay for employees is accumulated at a rate of 6.9% to a maximum of 1,170 hours and does not vest. For non-union staff, sick pay is accumulated at a rate of 1.5 days per month to a maximum of 120 days. As of March 31, 2018, there are 3,084 (2017 - 2,505) sick time hours accumulated in the pool. Based on the employees' current rates of pay, the maximum liability of the association could be \$88,064 (2017 - \$69,115). The association has accrued \$20,514 (2017 - \$12,702) for sick pay.

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

### 9. Long-term debt

	2018	2017
Canada Mortgage and Housing Corporation - mortgage - payable at \$2,765 per month including interest at 2.35%; secured by a 60-year leasehold interest in land and buildings, with a carrying value of \$488,598, and an assignment of rents; due September 1, 2018	\$ 306,413	\$ 332,902
Peoples Trust - mortgage - payable at \$4,685 per month including interest at 3.13%; secured by land and buildings, with a carrying value of \$1,620,417, and an assignment of rents; due December 1, 2024	1,020,184	1,044,272
Canada Mortgage and Housing Corporation - forgivable loan for renovations made to Balmoral land and building, with a carrying value of \$1,620,417; to be forgiven over 15 years as long as the property is used for its intended purpose; due December 1, 2025	155,904	176,020
BC Housing - forgivable mortgage for the Balmoral land and building; with a carrying value of \$1,620,417; to be forgiven over 25 years commencing December 1, 2020	<u>150,000</u>	<u>150,000</u>
	1,632,501	1,703,194
Less: Current portion	<u>71,200</u>	<u>69,800</u>
	<u>\$ 1,561,301</u>	<u>\$ 1,633,394</u>

Principal payments due in each of the next five years are as follows:

2019	\$ 71,200
2020	72,600
2021	75,600
2022	81,600
2023	<u>83,100</u>
	<u>\$ 384,100</u>

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### 10. Government remittances

The association has the following amounts receivable/(payable) for government remittances at March 31, 2018:

	2018	2017
Public service body rebate	\$ 2,582	\$ 2,153
WCB	\$ (2,738)	\$ (2,154)
Payroll source deductions	\$ (36,053)	\$ (24,297)

### 11. Deferred revenue

Deferred revenue consists of funding received in the current period that are related to a subsequent period as well as damage deposits paid by tenants, and donations designated for specific programs. Deferred revenue is comprised of:

	2018	2017
Prepaid funding	\$ 154,609	\$ 127,700
Damage deposits	11,291	10,054
Prepaid rent	<u>19,367</u>	<u>18,850</u>
	<u>\$ 185,267</u>	<u>\$ 156,604</u>

### 12. Pension obligations

The association and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 78,000 retired members.

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### 12. Pension obligations - cont.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and adequacy of Plan funding. The most recent valuation, as at December 31, 2015, indicated a surplus of \$2.224 million for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in 2019. The actuary does not attribute portions of the unfunded liability to individual employers. The association paid \$14,819 (2017 - \$21,021) for employer contributions to the plan in fiscal 2018.

### 13. Repayment of surplus and deficit funding

BC Housing assesses financial information to determine adjustments for repayments of surplus and funding deficits related to the Wesley Street and New Horizons housing. These repayments of surplus or funding of deficits are recognized on a cash basis. There is an amount payable of \$2,717 for New Horizons housing.

### 14. Union contract

The Canadian Mental Health Association - Mid-Island Branch has an agreement with the Health Employers Association of BC. This collective agreement represents the relationship between management and a certain class of employees. In February 2014 the Community Subsector ratified a new labour contract for the period of April 1, 2014 to March 31, 2019.

### 15. Deferred capital contributions related to property and equipment

Deferred contributions related to property and equipment represent contributions of assets or cash used for the acquisition of property and equipment. The changes in deferred contributions for the year are as follows:

	2018	2017
Balance, beginning of the year	\$ 2,915	\$ 4,165
Less: Amortization for the year	<u>875</u>	<u>1,250</u>
	<u>\$ 2,040</u>	<u>\$ 2,915</u>

# CANADIAN MENTAL HEALTH ASSOCIATION, MID ISLAND BRANCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended **March 31, 2018**

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### **16. Economic dependence**

During the year, the association received 40% (2017 - 44%) of its funding from various contracts with BC Housing.

### **17. Remuneration of employees and contractors**

During the year, the society paid \$89,613 in remuneration to one person who is an employee, whose remuneration, during the applicable period, was at least \$75,000.

### **18. Subsequent events**

Subsequent to the balance sheet date a new Van was purchased for \$23,235 and approval has been granted for credit cards for select employees with a credit limit of \$20,000. The credit cards have been secured by a locked-in GIC in the amount of \$20,000.

### **19. Financial risks and concentration of risk**

#### **- Credit risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The association is exposed to credit risk from its residents; however, there are a number of residents which reduces the concentration of credit risk. The association receives a large portion of its funding from the provincial government.