

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**  
**Financial Statements**  
**Year Ended March 31, 2015**

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**  
**Index to Financial Statements**  
**Year Ended March 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Mental Health Association - Vernon and District Branch

We have audited the accompanying financial statements of Canadian Mental Health Association - Vernon and District Branch, which comprise the statement of financial position as at March 31, 2015 and the statements of revenues and expenditures, changes in net assets and cash flow 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 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 audit opinion.

*(continues)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association - Vernon and District Branch as at March 31, 2015 and the results of its operations and its cash flow 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 (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Kelowna, British Columbia  
September 16, 2015

CHARTERED ACCOUNTANTS


**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**


**Statement of Financial Position**

**March 31, 2015**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 337,038	\$ 295,827
Accounts receivable	138,596	102,848
Goods and services tax recoverable	6,472	5,042
Prepaid expenses	4,513	2,986
Prepaid rent (Note 6)	31,432	31,432
	<b>518,051</b>	438,135
RESTRICTED CASH (Note 3)	906,494	789,834
TANGIBLE CAPITAL ASSETS (Note 7)	2,580,050	2,548,085
ASSETS UNDER CAPITAL LEASE (Note 8)	7,363,427	7,566,581
PREPAID RENT (Note 6)	1,087,862	1,119,294
	<b>\$ 12,455,884</b>	<b>\$ 12,461,929</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 201,640	\$ 178,675
Wages payable	146,851	212,005
Deferred contributions (Note 10)	115,852	86,349
Deposits received	46,251	53,875
Bank loans (Note 9)	228,884	294,997
Current portion of long term debt (Note 12)	345,970	334,952
	<b>1,085,448</b>	1,160,853
DEFERRED CONTRIBUTIONS (Note 10)	146,228	170,083
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	1,146,926	1,081,979
LONG TERM DEBT (Note 12)	6,966,014	7,311,984
	<b>9,344,616</b>	9,724,899
<b>NET ASSETS</b>		
Restricted net assets (Page 5)	1,066,699	839,794
Unrestricted net assets (Page 5)	2,044,569	1,897,236
	<b>3,111,268</b>	2,737,030
	<b>\$ 12,455,884</b>	<b>\$ 12,461,929</b>

**ON BEHALF OF THE BOARD**

  
Director

  
Director

See notes to financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Statement of Revenues and Expenditures**

**For the Year Ended March 31, 2015**

	Main Operations	Gaming Fund and Other	Housing Projects	Total 2015	Total 2014
			<i>(Schedule 1)</i>		
<b>Revenue</b>					
Administration revenue (Note 14)	\$ 14,000	\$ -	\$ -	\$ 14,000	\$ 161,400
BC Gaming	-	80,000	-	80,000	80,000
Funding contracts	1,913,214	-	3,156	1,916,370	2,018,344
Donations	14,596	900	-	15,496	12,986
Fundraising	17,984	-	-	17,984	17,350
Grants	246,798	-	6,963	253,761	235,247
Kitchen sales	-	19,876	-	19,876	16,678
Recycling (Note 14)	45,105	-	-	45,105	52,341
Rent and user fees (Note 14)	317,638	-	706,703	1,024,341	983,923
Rent subsidies	-	-	703,493	703,493	702,188
Store sales	170,399	-	-	170,399	167,015
Sundry	26,560	9,197	11,790	47,547	36,017
United Way funding	-	7,435	-	7,435	10,535
Workshop sales and contracts (Note 14)	19,018	1,100	-	20,118	41,554
	2,785,312	118,508	1,432,105	4,335,925	4,535,578
<b>Expenditures</b>					
Administration fees (Note 14)	-	8,000	6,000	14,000	161,400
Amortization	89,907	-	220,281	310,188	312,378
Advertising and event promotion	16,193	6,179	-	22,372	26,956
Bank charges	3,457	-	2,208	5,665	5,422
Contract fees	18,281	1,600	5,683	25,564	-
Dues and memberships	4,595	185	714	5,494	11,250
Education	695	-	-	695	7,218
Food and kitchen supplies	51,230	33,764	-	84,994	98,098
Insurance	6,462	-	24,235	30,697	31,454
Interest on long term debt	9,557	-	294,553	304,110	303,422
Lease of land (Note 6)	-	-	31,432	31,432	31,432
Office	34,563	871	2,052	37,486	42,347
Management fees	72,688	-	13,125	85,813	87,000
Accounting and legal fees	1,018	-	24,838	25,856	90,262
Program supplies and activities	45,058	5,232	-	50,290	89,814
Property tax	-	-	64,916	64,916	79,484
Rent (Note 14)	27,372	6,160	2,400	35,932	26,273
Repairs and maintenance (Note 14)	45,697	5,871	106,894	158,462	250,701
Replacement reserve funds repairs and maintenance	-	-	76,485	76,485	32,292
Salaries, wages, and benefits	2,035,191	42,375	165,950	2,243,516	2,323,216
Telephone	12,834	2,826	4,196	19,856	21,189
Travel	22,037	9	4,228	26,274	17,846
Utilities (Note 14)	67,597	-	232,621	300,218	320,702
Volunteer and honorarium	73,525	1,101	-	74,626	44,740
Vehicle	15,642	-	-	15,642	15,330
	2,653,599	114,173	1,282,811	4,050,583	4,430,226
<b>Excess (deficiency) of revenue over expenditures before the undernoted</b>	131,713	4,335	149,294	285,342	105,352
Amortization of deferred capital contributions (Note 11)	15,620	-	33,067	48,687	43,006
Recovery of sales taxes	-	-	-	-	26,892
<b>Excess (deficiency) of revenue over expenditures</b>	\$ 147,333	\$ 4,335	\$ 182,361	\$ 334,029	\$ 175,250

See notes to financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2015**

	<u>Housing Projects - Restricted</u>				<b>Total 2015</b>	Total 2014
	Gaming Fund & Other	Operations	Replacement Reserve (Note 4)	Invested in Tangible Capital Assets		
<b>Net assets (deficiency), beginning of year as restated</b>	81,979	(333,270)	465,088	625,997	<b>839,794</b>	646,201
Revenue (expenditures), net for the year	4,335	369,575	-	(187,214)	<b>186,696</b>	128,007
BC Housing subsidy adjustments (Note 15)	-	40,209	-	-	<b>40,209</b>	65,586
Replacement reserve provision	-	(117,834)	117,834	-	-	-
Mortgage principal repayments (Note 12)	-	(310,483)	-	310,483	-	-
Interest on replacement reserve funds	-	(2,504)	2,504	-	-	-
Replacement reserve funds expenditures	-	76,486	(86,820)	10,334	-	-
<b>Net assets (deficiency), end of year</b>	<b>\$ 86,314</b>	<b>\$ (277,821)</b>	<b>\$ 498,606</b>	<b>\$ 759,600</b>	<b>\$ 1,066,699</b>	<b>\$ 839,794</b>

	<u>Main Operations - Unrestricted</u>			<b>Total 2015</b>	Total 2014
	Operations	Equipment Reserves (Note 5)	Invested in Tangible Capital Assets		
<b>Net assets, beginning of year as restated</b>	164,270	277,637	1,455,329	<b>1,897,236</b>	1,849,993
Revenue (expenditures), net for the year	221,620	-	(74,287)	<b>147,333</b>	47,243
Interfund transfers (Note 5)	(16,063)	16,063	-	-	-
Equipment reserves provision	(20,492)	20,492	-	-	-
Equipment reserves expenditures	3,301	(11,152)	7,851	-	-
Purchase of tangible capital assets	(7,176)	-	7,176	-	-
Bank loans principal repayments	(66,113)	-	66,113	-	-
<b>Net assets, end of year</b>	<b>\$ 279,347</b>	<b>\$ 303,040</b>	<b>\$ 1,462,182</b>	<b>\$ 2,044,569</b>	<b>\$ 1,897,236</b>

See notes to financial statements

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Statement of Cash Flow**

**Year Ended March 31, 2015**

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Cash received from federal and provincial funding and grants	\$ 2,974,205	\$ 2,951,217
Cash received from rent and user fees	1,024,341	983,923
Cash received from other revenue	312,491	317,536
Cash received from retrospective recovery of sales taxes	-	26,892
Cash paid to suppliers and employees	(3,422,097)	(3,500,861)
<b>Cash flows from operating activities</b>	<b>888,940</b>	<b>778,707</b>
<b>INVESTING ACTIVITIES</b>		
Interest received on Replacement Reserve Funds	2,504	1,981
Capital contributions received	110,598	-
Purchase of tangible capital assets	(138,996)	(29,244)
<b>Cash flows used in investing activities</b>	<b>(25,894)</b>	<b>(27,263)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from bank loans	244,000	-
Repayments of bank loans	(310,113)	(68,056)
Repayments of long-term debt	(334,952)	(331,852)
Interest paid on bank loans	(9,557)	(11,707)
Interest paid on long-term debt	(294,553)	(291,715)
<b>Cash flows used in financing activities</b>	<b>(705,175)</b>	<b>(703,330)</b>
<b>INCREASE IN CASH FLOWS</b>	<b>157,871</b>	<b>48,114</b>
Cash - beginning of year	1,085,661	1,037,547
<b>CASH - END OF YEAR</b>	<b>\$ 1,243,532</b>	<b>\$ 1,085,661</b>
<b>CASH CONSISTS OF:</b>		
Cash and cash equivalents - unrestricted funds	\$ 337,038	\$ 295,827
Cash - restricted funds	906,494	789,834
	<b>\$ 1,243,532</b>	<b>\$ 1,085,661</b>

See notes to financial statements



# CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH

## Notes to Financial Statements

Year Ended March 31, 2015

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### 1. DESCRIPTION OF BUSINESS

Canadian Mental Health Association - Vernon and District Branch (the "Association") is a branch of the Canadian Mental Health Association. Incorporated under the Society Act of British Columbia, the Association's principal activity is to provide services to promote, maintain, and enhance the mental health of individuals in Vernon and the surrounding area. The Association is a registered charity under the Income Tax Act, and is therefore exempt from income taxes, provided certain requirements of the Income Tax Act are met.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook - Accounting.

#### Revenue recognition

Canadian Mental Health Association - Vernon and District Branch follows the deferral 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 in which the related expenses are incurred and/or the services are provided in accordance with the terms of the applicable agreement.

#### Tenant rent contributions

Revenue from tenant rent contributions is recognized when cash is collected or reasonably collectible. The Tenant Rent Contributions, as approved by BC Housing, are being charged to the Rent-Geared-To Income Tenants.

#### Contributions for repayments of debt

Restricted contributions for periodic repayments of debt incurred to fund the acquisition of assets under capital lease are recognized as revenue in the period the contributions are received.

Restricted contributions for periodic repayments of debt incurred to fund prepayment of operating expenses, specifically prepayment of lease of land, are recognized as revenue in the period the contributions are received.

#### Other revenue

Store sales, workshop revenue, fundraising, and other miscellaneous revenue are recognized in the respective programs when there is persuasive evidence of an arrangement, the services and/or goods are provided, and cash is collected or reasonably collectible.

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 and the related expenses are incurred. Unrestricted donations are recognized as revenue in the general fund when cash is received.

#### Replacement Reserve Funds from BC Housing

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

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**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

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

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are mutual funds in an assortment of savings accounts that are readily convertible to cash.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	2.5%
Motor vehicles	15%
Computer equipment	30%
Furniture and fixtures	10%
Leasehold improvements	17%

Assets under capital lease

Assets under capital lease are stated at cost less accumulated amortization. Buildings under capital lease are amortized over the lease term on straight-line basis over the lease terms from 30 to 60 years.

The Association regularly reviews its tangible capital assets to eliminate obsolete items. Government grants to assist with the acquisition of capital assets and tangible assets under capital lease are treated as deferred capital contributions.

Tangible capital assets and assets under capital lease acquired during the year but not placed into use are not amortized until they are placed into use. Capital assets additions made during the year are amortized at 50% of the above rates.

Deferred contributions and deferred capital contributions

Deferred contributions include restricted contributions received related to programs for which services will be provided in a future period.

Deferred capital contributions consist of externally restricted contributions for the purpose of funding depreciable tangible capital assets and assets under capital lease are deferred and recognized as revenue at a rate corresponding with the amortization rate for the related assets. In respect of funds used for repairs or other insignificant purchases or improvements charged to expense, the contributions are recognized in revenue in the year the expense is incurred.

Contributed services

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

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**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

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

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs are added to the carrying amount unless the financial instruments are subsequently measured at fair value.

The Association's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank loans, and mortgage payable.

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 earnings in the period in which they become known. Actual results could differ from these estimates.

3. RESTRICTED CASH

	2015	2014
Replacement reserve funds (Note 4)	\$ 470,890	\$ 376,343
Internally restricted funds (Note 5)	303,039	277,637
Gaming account	86,314	81,979
Damage deposits	46,251	53,875
	<b>\$ 906,494</b>	<b>\$ 789,834</b>

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**4. REPLACEMENT RESERVE FUNDS**

Under the terms of operating agreements with BC Housing, the Replacement Reserve Funds 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 BC 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, 2015, the Replacement Reserve Funds consist of:

	53rd Avenue	Albert Place	Belvedere Apartments	Group Home	Melrose Apartments	Yin Ho Gardens	Total 2015	Total 2014
<b>Replacement reserve, beginning of year</b>	\$ 86,364	\$ 152,072	\$ 67,149	\$ 25,341	\$ 17,957	\$ 116,205	\$ 465,088	\$ 381,435
Replacement reserve provision	24,391	31,155	21,810	5,302	8,709	26,467	117,834	117,834
Interest on replacement reserve	421	962	268	219	55	579	2,504	1,981
Tangible capital assets purchases	-	(4,134)	-	-	-	(6,200)	(10,334)	(3,870)
Repair and maintenance expenditures	(33,845)	(6,030)	(4,565)	(4,877)	(1,172)	(25,997)	(76,486)	(32,292)
<b>Replacement reserve, end of year</b>	\$ 77,331	\$ 174,025	\$ 84,662	\$ 25,985	\$ 25,549	\$ 111,054	\$ 498,606	\$ 465,088

As of March 31, 2015, the Replacement Reserve Funds are underfunded by \$27,716 (2014 - \$88,745).

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

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5. INTERNALLY RESTRICTED FUNDS

Furniture rental funds from Group Home, Albert Place, and Melrose Apartments are treated as a reserve pool and are restricted for the purpose of funding future purchases or replacement of equipment and furniture, and other expenditures for clients as deemed necessary by management.

Tangible capital assets and repairs and maintenance reserves are restricted for the purposes of funding future purchases of tangible capital assets and repairs and maintenance in the respective programs as below.

Annual reserve provision, expenditures, and inter-fund transfers are designated and approved by the Board of Directors. During the year, total of \$16,063 related to 27th Street Residence was transferred into equipment reserves upon restarting this housing project during the year.

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	2015	2014
<b>Furniture rental funds</b>		
27th Street Residence	\$ 16,063	\$ -
Group Home	50,419	45,361
Albert Place	86,865	84,023
Melrose Apartments	17,625	16,186
	<hr/> 170,972	<hr/> 145,570
<b>Tangible capital assets and repairs and maintenance reserve funds</b>		
24th Avenue	56,095	56,095
Aberdeen House	21,879	21,879
CMHA Main	54,093	54,093
	<hr/> 132,067	<hr/> 132,067
	<hr/> <b>\$ 303,039</b>	<hr/> <b>\$ 277,637</b>

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**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**6. PREPAID RENT**

Prepaid rent represents payments made in advance for the lease of the land portions of the leased properties as detailed in Note (8). Prepayment on the leased land is expensed over the lease terms on a straight-line basis.

	2015	2014
53rd Avenue	\$ 444,167	\$ 455,000
Albert Place	67,008	68,979
Belvedere Apartments	153,191	160,154
Yin Ho Gardens	454,928	466,593
	<b>1,119,294</b>	<b>1,150,726</b>
Prepaid rent - current portion	<b>(31,432)</b>	<b>(31,432)</b>
	<b>\$ 1,087,862</b>	<b>\$ 1,119,294</b>

Prepaid rent balance of \$1,119,294 is financed by long-term debt of \$966,103 (Note 12) and forgivable loan of \$153,191 (Note 10). Annual contributions received from BC Housing for repayment of long-term debt applicable to prepaid rent are recognized as revenue in the year the contributions are received. Of the total contributions of \$334,952 from BC Housing for the purpose of repayment of long-term debt (Note 12), \$24,469 applicable to repayment of long-term debt portion related to prepaid rent was recognized as revenue in current year.

**7. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	\$ 439,215	\$ -	\$ 439,215	\$ 439,215
Buildings	2,837,061	885,886	1,951,175	2,022,102
Motor vehicles	156,179	132,373	23,806	35,800
Computer equipment	59,965	51,103	8,862	11,777
Furniture and fixtures	391,570	236,149	155,421	35,837
Leasehold improvements	40,816	39,245	1,571	3,354
	<b>\$ 3,924,806</b>	<b>\$ 1,344,756</b>	<b>\$ 2,580,050</b>	<b>\$ 2,548,085</b>

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**8. ASSETS UNDER CAPITAL LEASE**

	Cost	Accumulated Amortization	2015 Net book value	2014 Net book value
<b>Buildings:</b>				
53rd Avenue	\$ 3,936,000	\$ 1,246,400	\$ 2,689,600	\$ 2,755,200
Albert Place	1,210,070	524,364	685,706	705,874
Belvedere Apartments	1,041,091	277,624	763,467	798,170
Yin Ho Gardens	4,961,005	1,736,351	3,224,654	3,307,337
	<b>\$ 11,148,166</b>	<b>\$ 3,784,739</b>	<b>\$ 7,363,427</b>	<b>\$ 7,566,581</b>

The Association entered into the following lease agreements with the Province of British Columbia (the Province) and the Provincial Rental Housing Corporation (PRHC). PRHC is a corporate "stand alone" entity created by the Province:

53rd Avenue: The Association entered into a 60-year lease agreement for land in Vernon with PRHC commencing on February 29, 1996. Total basis rent of \$650,000 was prepaid (balance disclosed in Note 6) and the cost of building was financed by long-term debt as disclosed in Note 12. The property, including land and building, will revert to PRHC upon the expiry or earlier termination of the lease term. The lease of land is accounted for as an operating lease and the building on leased land is treated as a capital lease.

Albert Place: The Association entered into a 60-year lease agreement for land in Vernon with the Province (the Lessor) commencing on August 30, 1989. Total rent of \$118,250 was prepaid (balance disclosed in Note 6) and the cost of building was financed by long-term debt as disclosed in Note 12. The property, including land and building, will revert to the Lessor upon the expiry or earlier termination of the lease term. The lease of land is accounted for as an operating lease and the building on leased land is treated as a capital lease.

Belvedere Apartments: The Association entered into a 30-year lease agreement for land and building in Vernon with PRHC commencing on April 2, 2007. Prepaid rent of \$830,000 was financed by a forgivable loan of \$830,000 from BCHMC and the building improvements of \$419,987 was financed by long-term debt as disclosed in Note 12. The property, including land, building, and building improvements, will revert to PRHC upon the expiry or earlier termination of the lease term. Prepaid rent of \$830,000 were allocated between land (\$208,896) and building (\$621,104) in proportion to their fair value at the inception of the lease. The land portion of this lease of \$208,896 is accounted for as an operating lease and was recorded as prepaid rent (balance disclosed in Note 6). The building portion of \$621,104 and building improvements of \$419,987 are treated as a capital lease.

Yin Ho Gardens: The Association entered into a 60-year lease agreement for land in Vernon with PRHC commencing on September 15, 1994. Total basis rent of \$699,889 was prepaid (balance disclosed in Note 6) and the cost of building was financed by long-term debt as disclosed in Note 12. The property, including land and building, will revert to PRHC upon the expiry or earlier termination of the lease term. The lease of land is accounted for as an operating lease and the building on leased land is treated as a capital lease.

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**9. BANK LOANS**

	2015	2014
Royal Bank vehicle term loan, repayable at \$529 per month including interest at bank prime plus 0.75%, maturing on March 30, 2015.	\$ -	\$ 6,227
Royal Bank vehicle term loan, repayable at \$542 per month including interest at bank prime plus 1.25%, maturing on April 27, 2015. Bank prime was 2.85% as of March 31, 2015.	290	6,632
Royal Bank CMHA Activity Centre term loan, repayable at \$3,269 per month including interest at bank prime plus 0.75%. The loan was renewed on November 15, 2014, maturing on November 15, 2015. Bank prime was 2.85% as of March 31, 2015.	103,915	138,572
Royal Bank 27th Street property term loan, repayable at \$2,335 per month including interest at bank prime plus 0.75%, maturing November 11, 2014.	-	143,566
Royal Bank 27th Street property term loan, repayable at \$1,300 per month including interest at bank prime plus 0.75%, maturing November 11, 2015. Bank prime was 2.85% as of March 31, 2015.	124,679	-
	<b>\$ 228,884</b>	<b>\$ 294,997</b>

Security for the loans is provided by a general security agreement covering all the assets of the Association and demand collateral mortgages on 24th Avenue, 28th Avenue, and 27th Street properties.

**10. DEFERRED CONTRIBUTIONS**

	2015	2014
BCHMC forgivable loan (a)	\$ 153,191	\$ 160,154
BC Housing rent subsidy	55,691	57,764
Fundraising reserve	25,555	21,622
Interior Health Authority (IHA) special projects funding	13,855	16,892
IHA 2016 fiscal programs cost pressure adjustments	13,788	-
	262,080	256,432
Less current portion	(115,852)	(86,349)
	<b>\$ 146,228</b>	<b>\$ 170,083</b>

(a) BCHMC forgivable loan is related to the lease of Belvedere Apartments as detailed in Note 11. The forgivable loan applicable to the land portion of this lease was recorded as deferred contribution and is being amortized in the amount of \$6,963 per year over the 30-year lease term.



**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**11. DEFERRED CAPITAL CONTRIBUTIONS**

	2015	2014
Balance, beginning of year	\$ 1,081,979	\$ 1,124,985
Contributions received	110,598	-
Amount transferred from deferred contributions	3,036	-
Amount amortized to revenue	(48,687)	(43,006)
<b>Balance, end of year</b>	<b>\$ 1,146,926</b>	<b>\$ 1,081,979</b>

Deferred capital contributions consist of unamortized balances related to certain programs in Main Operations of \$365,266 and Housing Projects of \$781,660 as detailed below.

Programs in Main Operations: \$358,833 (2014 - \$374,115) from fundraising activities attributable to the costs of buildings at 28th Avenue, 24th Avenue, and Aberdeen Lodge; and \$6,433 (2014 - \$Nil) attributable to furniture and equipment funded by IHA at 27th Street.

Housing Projects: \$22,348 (2014 - \$Nil) and \$79,172 (2014 - \$Nil) attributable to furniture and equipment funded by BC Housing for Yin Ho Gardens and Belvedere Apartments respectively; and \$224,663 (2014 - \$231,684) and \$455,477 (2014 - \$476,180) related to the forgivable loans from BCHMC to finance the acquisition of Melrose Apartments and the lease of Belvedere Apartments respectively as described in the following paragraphs.

*Melrose Apartments:* In 2008 fiscal year, the Association entered into a forgivable loan agreement for \$350,000 with BCHMC related to the acquisition of Melrose Apartments. Melrose Apartments' total cost of \$431,614 was partially financed by the forgivable loan. Payments on the account of principal and interest are not required unless Melrose Apartments cease to be used for the intended purposes as specified in the loan agreement and the operating agreement with BCHMC. If the Association continues to be compliant with the terms and conditions for the duration of 35-year term, this loan is forgivable starting on the 11th year at a rate of 1/25 per year through to the end of the 35-year term. Management has determined that it is unlikely that these conditions will not be met for the duration of the 35-year term and therefore treated the loan amount as grant upon receipt of the loan. The forgivable loan portion applicable to land of \$69,171 was recorded as a direct increase to net assets invested in tangible capital assets and the loan portion applicable to building of \$280,829 was recorded as deferred capital contribution and recognized as revenue at a rate of 2.5% per year corresponding with the amortization rate of the building. In the event of a default under the loan or operating agreement, interest is payable on the balance of the principal amount outstanding at the rate of Royal Bank of Canada prime plus 2% per annum.

*Belvedere Apartments:* In 2008 fiscal year, the Association entered into a forgivable loan agreement for \$830,000 with BCHMC related to the lease of Belvedere Apartments. Payments on the account of principal and interest are not required unless Belvedere Apartments cease to be used for the intended purposes as specified in the loan agreement and the operating agreement with BCHMC. If the Association continues to be compliant with the terms and conditions for the duration of 35-year term, this loan is forgivable starting on the 11th year at a rate of 1/25 per year through to the end of the 35-year term. Management has determined that it is unlikely that these conditions will not be met for the duration of the 35-year term and therefore treated the loan amount as grant upon receipt of the loan. The loan of \$208,896 applicable to the land portion of the lease was recorded as deferred contribution (balance disclosed in Note 10) and the loan of \$621,104 applicable to the building portion of the lease was recorded as deferred capital contribution. Both deferred contribution and deferred capital contribution are amortized over the lease term of 30 years. In the event of a default under the loan or operating agreement, interest is payable on the balance of the principal amount outstanding at the rate of Royal Bank of Canada prime plus 2% per annum.

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

12. LONG TERM DEBT

	2015	2014
Royal Bank mortgage bearing interest at 4.653% per annum, repayable in monthly blended payments of \$22,896. The loan matures on October 1, 2016 and is secured by the leasehold interest in 53rd Avenue land and building.	\$ 3,183,132	\$ 3,307,832
Canada Mortgage and Housing Corporation mortgage bearing interest at 3.43% per annum, repayable in monthly blended payments of \$6,574. The loan matures on February 1, 2021 and is secured by the leasehold interest in Albert Place land and building.	690,731	745,073
Peoples Trust Company mortgage bearing interest at 3.46% per annum, repayable in monthly blended payments of \$1,674. The loan matures on March 1, 2024 and is secured by the leasehold interest in Belvedere Apartments land and building.	362,981	370,465
Canada Mortgage and Housing Corporation mortgage bearing interest at 3.43% per annum, repayable in monthly blended payments of \$20,479. The loan matures on February 1, 2021 and is secured by the leasehold interest in Yin Ho Gardens land and building, all equipment and fixtures installed at the premise, and assignment of rentals paid by tenants.	2,943,479	3,086,308
TD Canada Trust mortgage bearing interest at 4.12% per annum, repayable in monthly blended payments of \$925. The loan matures on June 1, 2021 and is secured by the leasehold interest in Yin Ho Gardens land and building.	131,661	137,258
	<b>7,311,984</b>	<b>7,646,936</b>
Amounts payable within one year	<b>(345,970)</b>	<b>(334,952)</b>
	<b>\$ 6,966,014</b>	<b>\$ 7,311,984</b>

Principal repayment terms are approximately:

2016	\$ 345,970
2017	3,277,932
2018	232,037
2019	240,169
2020	248,587
Thereafter	2,967,289
	<u>\$ 7,311,984</u>

Long-term debt balance is comprised of \$6,345,885 (2014 - \$6,656,364) and \$966,103 (2014 - \$990,572) applicable to building portions and land portions of the above leased properties respectively. Current year contributions of \$331,852 from BC Housing for the purpose of repayment of long-term debt were recognized as revenue. Of the total contributions received, \$24,469 and \$310,483 are applicable to repayment of long-term debt related to prepaid rent on leased land and buildings under capital lease respectively.

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Notes to Financial Statements**

**Year Ended March 31, 2015**

**13. NET ASSETS INVESTED IN TANGIBLE CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE**

	Restricted	Unrestricted	2015	2014
Tangible capital assets, at net book value	\$ 523,718	\$ 2,056,332	\$ 2,580,050	\$ 2,548,085
Tangible assets under capital lease, at net book value	7,363,427	-	7,363,427	7,566,581
Bank loans (Note 9)	-	(228,884)	(228,884)	(294,997)
Long-term debt (Note 12)	(6,345,885)	-	(6,345,885)	(6,656,364)
Deferred capital contributions (Note 11)	(781,660)	(365,266)	(1,146,926)	(1,081,979)
	\$ 759,600	\$ 1,462,182	\$ 2,221,782	\$ 2,081,326

**14. INTER-DEPARTMENT CHARGES**

During the year, the following fees were charged to respective programs from the Main Operations:

Administration fees were charged to Housing Projects and Gaming Fund and Other in the amount of \$8,000 and \$6,000 (2014 - \$153,400 and \$8,000) respectively.

Rent was charged to Gaming Fund and Other of \$4,800 (2014 - \$Nil) and Housing Projects of \$2,400 (2014 - \$Nil).

Repair and maintenance fees included in Workshop Sales and Contracts were charged to Housing Projects in the amount of \$7,504 (2014 - \$27,191).

Recycling fees included in Utilities expenses were charged to Housing Projects in the amount of \$4,002 (2014 - \$Nil).

**15. RENT SUBSIDY ADJUSTMENTS**

BCHMC conducts an annual review of the financial statements and may adjust for any subsidy assistance overpayment or underpayment made. Prior years funding adjustments are recognized as direct adjustments to net assets as they are related to prior years' operations. Annual review of 2014 fiscal year financial statements resulted \$40,209 being paid to the Association due to underpayment of rent subsidy.

**16. FINANCIAL RISKS AND CONCENTRATION OF RISK**

The Association is exposed to interest rate risks with respect to its bank loans and long-term debt arrangements. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant currency 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 - VERNON AND DISTRICT BRANCH

## Notes to Financial Statements

Year Ended March 31, 2015

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### 17. BCHMC HOUSING AGREEMENTS

The Association entered into operating agreements with BCHMC to operate six housing projects to provide stable, affordable, and well-managed non-market residential housing primarily for families and persons who are homeless or at high risk of becoming homeless because of a physical, social, or mental condition or disability. Under terms of the agreements, the BCHMC provides funding to run these housing projects through rent subsidies and repayable assistance with various terms of operations as below.

53rd Avenue: A 42-unit housing project owned by PRHC. The operation commenced on August 28, 1996 for a term not to exceed 35 years;

Albert Place: An 18-unit housing project owned by the Province of British Columbia. Commencing on April 1, 1990, the agreement remains in effect for the lesser of the economic life of the project or for 35 years from the commencement date or the interest adjustment date in the Association's mortgage, which ever comes later;

Belvedere Apartments: A 17-unit housing project owned by PRHC. The operation commenced on April 1, 2007 for a term not to exceed 35 years;

Group Home: A 7-unit housing project owned by the Association. The operation commenced on August 1, 1988 and is subject to annual renewal;

Melrose Apartments: A 6-unit housing project owned by PRHC. The operation commenced on April 1, 2007 for a term not to exceed 35 years;

Yin Ho Gardens: A 43-unit housing project owned by PRHC. Commencing on November 23, 1994, the agreement remains in effect for the lesser of the economic life of the project or for 35 years from the commencement date or the interest adjustment date in the Association's mortgage, which ever comes later.

### 18. EMPLOYEE PENSION PLAN

The Association and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. Defined contribution plan accounting is applied to this benefit plan. Therefore, the cost of these employee future benefits is recorded as an expense in the year end contributions are made.

The risks and rewards associated with the Plan's underfunded liability or surplus are shared between the employers and the Plan's members, and may be reflected in their future contributions. Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2012 indicated that the Plan was 96.5% funded with an unfunded liability of \$1,370 million for basic pension benefits, which was addressed through increased employer and employee contribution rates effective July 1, 2014. The Association's employer contribution rate was increased to 10.77% from 10.33% effective July 1, 2014. The Association paid \$125,257 (2014 - \$123,543) for employer contributions to the Plan in its 2015 fiscal.

### 19. COMPARATIVE FIGURES

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

**CANADIAN MENTAL HEALTH ASSOCIATION - VERNON AND DISTRICT BRANCH**

**Statement of Revenue over Expenditures - Housing Projects**

*(Schedule 1)*

**For the Year Ended March 31, 2015**

	53rd Avenue	Albert Place	Belvedere Apartments	Group Home	Melrose Apartments	Yin Ho Gardens	Total 2015	Total 2014
<b>Revenue</b>								
Funding contracts	\$ -	\$ -	\$ -	\$ -	\$ 3,156	\$ -	\$ 3,156	\$ -
Grants (BCHMC forgivable loan - Note 10)	-	-	6,963	-	-	-	6,963	6,963
Rent and user fees	292,855	85,398	76,705	23,628	26,625	201,492	706,703	673,069
Rent subsidies	187,068	134,571	63,720	-	11,664	306,470	703,493	702,188
Sundry	1,036	1,041	2,020	1,860	58	5,775	11,790	4,305
	480,959	221,010	149,408	25,488	41,503	513,737	1,432,105	1,386,525
<b>Expenditures</b>								
Administration fee (Note 14)	1,634	598	783	109	128	2,748	6,000	153,400
Amortization	66,158	20,804	38,870	1,621	8,658	84,170	220,281	214,014
Bank charges	547	208	254	130	266	803	2,208	1,208
Contract fees	1,582	613	878	117	128	2,365	5,683	-
Dues and memberships	714	-	-	-	-	-	714	464
Education	-	-	-	-	-	-	-	47
Insurance	6,643	3,172	4,060	507	1,018	8,835	24,235	25,041
Interest on long term debt	149,578	24,387	12,588	-	-	108,000	294,553	291,715
Lease of land (Note 6)	10,833	1,971	6,963	-	-	11,665	31,432	31,432
Office	559	127	280	55	23	1,008	2,052	4,573
Management fees	3,707	1,807	3,160	236	601	3,614	13,125	30,450
Accounting and legal fees	4,221	4,148	4,072	4,115	4,108	4,174	24,838	30,390
Property tax	22,702	12,277	-	211	1,970	27,756	64,916	79,484
Rent (Note 14)	654	239	313	44	51	1,099	2,400	-
Repairs and maintenance (Note 14)	30,786	14,983	3,230	536	3,514	53,845	106,894	167,417
Replacement reserve funds								
repairs and maintenance	33,844	6,030	4,565	4,877	1,172	25,997	76,485	32,292
Salaries, wages, and benefits	46,197	19,650	29,456	3,342	4,698	62,607	165,950	-
Telephone	86	517	1,932	-	-	1,661	4,196	4,122
Travel	717	880	580	49	55	1,947	4,228	1,733
Utilities (Note 14)	62,308	42,519	29,654	10,864	10,743	76,533	232,621	242,064
	443,470	154,930	141,638	26,813	37,133	478,827	1,282,811	1,309,846
<b>Excess (deficiency) of revenue over expenditures before the undernoted</b>								
	37,489	66,080	7,770	(1,325)	4,370	34,910	149,294	76,679
Amortization of deferred capital contributions	-	-	24,870	-	7,021	1,176	33,067	27,724
Recovery of sales taxes	-	-	-	-	-	-	-	26,892
<b>Excess (deficiency) of revenue over expenditures</b>								
	\$ 37,489	\$ 66,080	\$ 32,640	\$ (1,325)	\$ 11,391	\$ 36,086	\$ 182,361	\$ 131,295

See notes to financial statements