

TOGETHER WITH THE AUDITOR'S REPORT

**Canadian Mental Health Association
North and West Vancouver Branch**

March 31, 2019

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of **Canadian Mental Health Association, North and West Vancouver Branch**

Opinion

We have audited the consolidated financial statements of Canadian Mental Health Association, North And West Vancouver Branch (the "Association"), which comprise the consolidated statements of financial position as at March 31, 2019, and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Report on Other Legal and Regulatory Requirements

As required by the Society Act of British Columbia, we report that, in our opinion, the accounting standards for not-for-profit organizations have been applied on a consistent basis.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPOs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is W. Herbert Morgan.

“Charlton & Company”

CHARTERED PROFESSIONAL ACCOUNTANTS

1735-555 Burrard Street
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Vancouver, British Columbia
July 22, 2019

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

| | <u>March 31,</u> <u>2019</u> | <u>March 31,</u> <u>2018</u> |
|---|---------------------------------|---------------------------------|
| Current | | |
| Cash and cash equivalent (Note 2(d) & 3) | \$ 115,356 | \$ 171,644 |
| Accounts receivable (GST: \$4,426; 2018: \$3,983) | 79,954 | 107,713 |
| Inventory | 6,290 | 4,066 |
| Prepaid expenditures | 35,157 | 19,914 |
| Deferred Rental Inducement (Note 7) | 18,285 | - |
| | <u>255,042</u> | <u>303,337</u> |
| Property and equipment (Notes 2(h) & 4) | 1,992,384 | 1,982,964 |
| | <u>\$ 2,247,426</u> | <u>\$ 2,286,301</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 132,316 | \$ 126,118 |
| Employment deductions payable | 146 | 226 |
| GST payable | 2,913 | 4,711 |
| Deferred revenue (Note 5) | 66,488 | 64,460 |
| Current portion of long-term debt (Note 9) | 196,765 | 32,215 |
| | <u>398,628</u> | <u>227,730</u> |
| Mortgages payable (Note 9) | 917,265 | 1,114,022 |
| | <u>1,315,893</u> | <u>1,341,752</u> |
| NET ASSETS | | |
| Net assets invested in capital assets (Note 4) | 877,891 | 835,338 |
| Internally restricted net assets (Note 3) | - | 37,201 |
| Unrestricted net assets | 51,642 | 70,010 |
| Endowment fund (Note 3) | 2,000 | 2,000 |
| | <u>931,533</u> | <u>944,549</u> |
| | <u>\$ 2,247,426</u> | <u>\$ 2,286,301</u> |
| Incorporation and nature of operation (Note 1) | | |
| Commitments (Note 11) | | |
| Approved on Behalf of the Board: | | |
| <u>"Donald Stuckert"</u> Director | <u>"Edwin Fok"</u> Director | |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

STATEMENTS OF CONSOLIDATED REVENUE AND EXPENDITURES

Years Ended March 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| CONTRIBUTIONS, per Schedule | \$ 1,802,270 | \$ 1,769,603 |
| EXPENDITURES, per Schedule | 1,810,681 | 1,849,976 |
| NET (LOSS) REVENUE, CMHA | (8,411) | (80,373) |
| HOpe Centre Café, Loss per Schedule | (4,605) | (11,082) |
| NET (LOSS) REVENUE, after HOpe Centre Café | \$ (13,016) | \$ (91,455) |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

SCHEDULE OF REVENUE

Years Ended March 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| REVENUE | | |
| BC Housing (Note 6) | \$ 105,420 | \$ 101,359 |
| CMHA BC | - | 180,275 |
| Donations | 63,713 | 74,732 |
| Fundraising | 79,341 | 33,964 |
| Grants – BC Gaming | 31,000 | - |
| Grants – Other | 104,673 | 37,325 |
| Interest | 138 | 1,104 |
| Memberships | 350 | 620 |
| Ministry of Housing and Social Development | 154,690 | 178,390 |
| Other (Note 15) | 104,078 | 50,752 |
| Residential Rental (clients) | 91,988 | 71,977 |
| Sublet Rental (Note 7) | 43,205 | - |
| Vancouver Coastal Health | 743,475 | 700,143 |
| YWCA | 280,199 | 338,962 |
| | <u>\$ 1,802,270</u> | <u>\$ 1,769,603</u> |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

SCHEDULE OF EXPENDITURES

Years Ended March 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| EXPENDITURES | | |
| Advertising and promotion | \$ 3,554 | \$ 4,221 |
| Amortization | 17,670 | 15,564 |
| Bank charges and mortgage interest | 36,274 | 35,939 |
| Computer expenses | 13,602 | 13,982 |
| Contracted direct services | 34,062 | 12,980 |
| Food and groceries | 59,134 | 57,179 |
| Insurance | 9,598 | 9,539 |
| Legal, audit and other dues and fees | 15,575 | 15,298 |
| Maintenance and repairs | 50,192 | 26,712 |
| Office supplies and miscellaneous | 21,584 | 27,854 |
| Program supplies | 37,114 | 46,636 |
| Rent – Office and meeting rooms (Note 15) | 123,984 | 103,629 |
| Rent subsidies – Supported Independent Living units | 14,392 | 14,418 |
| Salaries and benefits | 1,323,590 | 1,418,349 |
| Telephone | 18,694 | 14,578 |
| Training and professional development | 3,444 | 5,112 |
| Travel | 13,228 | 12,657 |
| Utilities | 14,990 | 15,329 |
| | <u>\$ 1,810,681</u> | <u>\$ 1,849,976</u> |

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED 1013915 B.C. LTD. (HOPE CENTRE CAFÉ)

SCHEDULE OF OPERATIONS

Year Ended March 31,

| | 2019 | 2018 |
|--------------------------------------|-------------------|-----------------|
| REVENUE | | |
| Sales | \$ 194,340 | \$ 203,629 |
| Catering | 18,577 | 23,803 |
| | <u>212,917</u> | <u>227,432</u> |
| COST OF GOODS SOLD | <u>86,191</u> | <u>96,320</u> |
| GROSS PROFIT | <u>126,726</u> | <u>131,112</u> |
| EXPENDITURES | | |
| Advertising and promotion | - | 145 |
| Amortization | 926 | 927 |
| Bank charges and interest | 2,903 | 2,758 |
| Business development | - | 2,500 |
| Donations | 287 | 310 |
| Insurance | 3,150 | 3,150 |
| Legal, audit and other dues and fees | 2,037 | 2,913 |
| Maintenance and repairs | 1,008 | 1,039 |
| Office supplies and miscellaneous | 2,710 | 4,090 |
| Royalty fees | 15,519 | 16,709 |
| Salaries and benefits | 103,661 | 109,494 |
| Telephone | 106 | 250 |
| Travel and Entertainment | 244 | - |
| Uniforms | 145 | - |
| | <u>132,696</u> | <u>144,285</u> |
| LOSS FROM OPERATIONS | <u>(5,970)</u> | <u>(13,173)</u> |
| OTHER INCOME | | |
| Miscellaneous income | <u>1,365</u> | <u>2,091</u> |
| LOSS FOR THE PERIOD | <u>\$ (4,605)</u> | <u>(11,082)</u> |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

STATEMENTS OF CONSOLIDATED CHANGES IN NET ASSETS

Years Ended March 31, 2019 and 2018

| NET ASSETS | March 31, 2019 | | | | | March 31, 2018 |
|---|-------------------|--------------------------|--------------|-----------|------------------------|-------------------|
| | Capital Assets | Internally Restricted | Unrestricted | Endowment | HOpe Centre Café | Total |
| Balance, beginning of year | \$ 835,338 | \$ 37,201 | \$ 145,951 | \$ 2,000 | \$ (75,941) | \$ 1,036,004 |
| Net revenue (expenditures) | (17,670) | 113 | 9,146 | - | (4,605) | (91,455) |
| Transfer to Unrestricted | - | (37,314) | 37,314 | - | - | - |
| Reduction of mortgage payable | 32,207 | - | (32,207) | - | - | - |
| Purchase of capital assets | 28,951 | - | (28,951) | - | - | - |
| Net book value of equipment disposed | (935) | - | 935 | - | - | - |
| Balance, end of year | \$ 877,891 | \$ - | \$ 132,188 | \$ 2,000 | \$ (80,546) | \$ 944,549 |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2018 and 2017

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Net revenue (loss) | \$ (13,016) | \$ (91,455) |
| Items not involving cash resources: | | |
| Amortization | 18,597 | 16,491 |
| Gain on disposal of equipment | 604 | (2,194) |
| | <u>6,185</u> | <u>(77,158)</u> |
| Net changes in non-cash current accounts | | |
| Accounts receivable | 27,759 | 26,670 |
| Accounts payable and accrued liabilities | 4,321 | (11,837) |
| Deferred revenue | 2,028 | 3,460 |
| Inventory | (2,224) | 305 |
| Prepaid expenses | (33,529) | (2,717) |
| | <u>(1,645)</u> | <u>15,881</u> |
| | <u>4,540</u> | <u>(61,277)</u> |
| INVESTING ACTIVITIES | | |
| Proceeds on disposal of equipment | 330 | 2,350 |
| Purchase of capital assets | (28,951) | (12,769) |
| | <u>(28,621)</u> | <u>(10,419)</u> |
| FINANCING ACTIVITIES | | |
| Net borrowing (mortgage payable) | (32,207) | (31,093) |
| NET CASH INFLOW (OUTFLOW) | <u>(56,288)</u> | <u>(102,789)</u> |
| CASH AND CASH EQUIVALENT, beginning of year | 171,644 | 274,433 |
| CASH AND CASH EQUIVALENT, end of year | <u>\$ 115,356</u> | <u>\$ 171,644</u> |
| UNRESTRICTED CASH | \$ 115,356 | \$ 134,443 |
| RESTRICTED CASH (Note 3) | - | 37,201 |
| | <u>\$ 115,356</u> | <u>\$ 171,644</u> |

The accompanying notes are an integral part of the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

1. INCORPORATION AND NATURE OF OPERATIONS

The Association is a registered charity and it is incorporated under the Society Act of the Province of British Columbia.

Revenues are derived primarily from Vancouver Coastal Health funding, YWCA Metro Vancouver, subcontract work and donations. These are used to cover the costs of providing and administering programs designed to promote mental health and to support the resilience and recovery of people experiencing mental illnesses.

The Association owns three houses in North Vancouver (Goodman House, Arborlynn House and Harold House), and operates a fourth house in North Vancouver (Lillian House), which are being used as group homes for individuals with mental illnesses.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

These consolidated financial statements include the accounts of the Association and its wholly owned subsidiary: 1013915 B.C. Ltd (HOpe Centre Café). The results of the subsidiary will continue to be included in the consolidated financial statements of the Association until the date that the Association's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

Non-consolidated financial statements have been prepared for taxation purposes.

(b) Basis of Compliance

These consolidated financial statements have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO) as issued by Canadian Institute of Chartered Accountants (CICA) Handbook.

These consolidated financial statements were approved by the board of directors for use on July 22, 2019.

(c) Revenue Recognition

The Association follows the deferral method of accounting for contributions to non-profit organizations. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions and investment income which are not externally restricted are recognized as revenue in the year received or receivable if future collection is reasonably assured.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and term deposits, which are cashable any time on the Association's demand. The term deposit is an internally restricted asset as per Note 3.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Inventory

Inventory is carried at lower of cost and net realizable value. Inventory is determined on an average cost basis.

(f) Financial Instruments

The Association has various financial instruments including cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, and mortgage payable. The estimated fair values of these financial instruments approximate their book values due to their short-term nature.

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalent, and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, and mortgage payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(g) Contributed Materials and Services

Contributed materials and services are carried at no cost unless valuation is determinable. Furniture and equipment donated to the Association therefore may not be reflected in the consolidated financial statements. Groceries donated to the Association are reflected in the consolidated financial statements.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(h) Property and Equipment

Property and equipment which are purchased are recorded at cost and amortization is provided for at the following annual rates:

Computer equipment Computer software Furniture and equipment Leasehold improvements
Building

| | |
|-------------------------|--------------------------|
| Computer equipment | - 40% declining balance |
| Computer software | - 100% declining balance |
| Furniture and equipment | - 20% declining balance |
| Leasehold improvements | - 20% straight line |
| Building | - 4% declining balance |

Amortization is calculated at half of the applicable rates in the year assets are acquired. Full amortization is claimed in subsequent years.

(i) Income taxes

The Association is a non-profit organization and, as such, its revenue is not subject to income tax.

The HOpe Centre Café is a private corporation subject to Canadian corporation income taxes. Therefore, the HOpe Centre Café is in conformity with ASPE principles for income taxation.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Association operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(j) Revenue recognition

The Association recognizes revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. The Association does not have multiple element arrangements. No right of return or exchange privileges are granted, and accordingly, no provision for sales allowances or returns are recognized.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(k) Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year.

Significant items subject to such estimates and assumptions include valuation of accounts receivable, the estimated useful life of equipment, accrued liabilities and deferred revenue. It is reasonably possible that circumstances may arise which cause actual results to differ from management estimates. Management, however, does not believe it is likely that such differences will materially affect the Association's consolidated financial position.

3. INTERNALLY RESTRICTED NET ASSETS

| | <u>March 31,</u> <u>2019</u> | <u>March 31,</u> <u>2018</u> |
|------------------------------------|---|---|
| Internally restricted funds | \$ - | \$ 37,201 |

On October 22, 2012, the board of the Association passed a resolution on reserving \$125,000 fund for contingency purpose. The purpose of this reserve is to utilize the funds for expenditures arising as a result of:

- a) The Association ceasing to be a going concern and closing all operations
- b) Circumstances beyond the Association's control such as natural disasters, legislative requirements etc.
- c) Any other extraordinary circumstances as determined by the Board.

On July 30, 2018, the board of the Association passed a resolution to remove the policy regarding internal restricted funds.

As at March 31, 2019, \$NIL (2018: \$37,201) internally restricted funds, held in term deposits, are included in cash and cash equivalent. The decline held in term deposits was due to the transfer of \$37,314 (2018: \$94,348) from the internally restricted funds to the general fund to meet obligations of the Association. The utilization of the restricted funds were approved by the board of the Association and there is no requirement of the Association to increase the contingency funds to its original amount in the future.

For the year ended March 31, 2019, interest earned on the term deposit was \$113 (2018: \$1,104).

As at March 31, 2019, the Association had \$2,046 (2018: \$2,022) in endowment funds. The fund is used to generate income which can be transferred to the operating fund. The funds are held at Vancity in a term deposit which earns 1.90% per year.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT

| | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
|--|-----------------------|-----------------------|
| Total net book value of property and equipment: | \$ 1,992,384 | \$ 1,982,964 |
| Less loans payable used for the purchase of: | | |
| Goodman House | \$ (164,292) | \$ (164,292) |
| Arborlynn House | (506,442) | (523,621) |
| Harold House | (443,296) | (458,324) |
| Less property and equipment in HOpe Centre Café | \$ (463) | (1,389) |
| Net assets invested in capital assets | \$ 877,891 | \$ 835,338 |

As at the year ended March 31, the fair value of the three houses as per BC Assessment (2019 assessment as of July 1, 2018), or the negotiated price for Goodman House, is as follows:

| | <u>Net Book Value, March 31, 2019</u> | <u>Fair Value, March 31, 2019</u> |
|-----------------|---|---------------------------------------|
| Goodman House | \$ 485,389 | \$ 1,064,292 |
| Arborlynn House | 776,221 | 1,341,400 |
| Harold House | 680,370 | 1,205,700 |
| | <u>\$ 1,941,980</u> | <u>\$ 3,611,392</u> |

| | <u>Net Book Value, March 31, 2018</u> | <u>Fair Value, March 31, 2018</u> |
|-----------------|---|---------------------------------------|
| Goodman House | \$ 487,197 | \$ 1,259,000 |
| Arborlynn House | 779,114 | 1,410,000 |
| Harold House | 682,343 | 1,208,300 |
| | <u>\$ 1,948,654</u> | <u>\$ 3,877,300</u> |

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT – continued

| | Cost | Accumulated Amortization | Net March 31, 2019 | Net March 31, 2018 |
|-------------------------|---------------------|-----------------------------|--------------------------|--------------------------|
| Office: | | | | |
| Computer equipment | \$ 31,767 | \$ 27,242 | \$ 4,525 | \$ 3,323 |
| Computer software | 8,248 | 8,248 | - | - |
| Furniture & equipment | 59,997 | 46,884 | 13,113 | 7,255 |
| Leasehold improvements | 22,985 | 7,069 | 15,916 | 3,976 |
| | <u>\$ 122,997</u> | <u>\$ 89,443</u> | <u>\$ 33,554</u> | <u>\$ 14,554</u> |
| Goodman House: | | | | |
| Furniture & equipment | \$ 11,060 | \$ 9,494 | \$ 1,566 | \$ 834 |
| Building | 70,876 | 27,487 | 43,389 | 45,197 |
| Land | 442,000 | - | 442,000 | 442,000 |
| | <u>\$ 523,936</u> | <u>\$ 36,981</u> | <u>\$ 486,955</u> | <u>\$ 488,031</u> |
| Arborlynn House: | | | | |
| Furniture & equipment | \$ 8,492 | \$ 2,847 | \$ 5,645 | \$ 7,056 |
| Building | 98,210 | 28,779 | 69,431 | 72,324 |
| Land | 706,790 | - | 706,790 | 706,790 |
| | <u>\$ 813,492</u> | <u>\$ 31,626</u> | <u>\$ 781,866</u> | <u>\$ 786,170</u> |
| Harold House: | | | | |
| Furniture & equipment | \$ 9,967 | \$ 3,580 | \$ 6,387 | \$ 7,984 |
| Building | 66,990 | 19,630 | 47,360 | 49,333 |
| Land | 633,010 | - | 633,010 | 633,010 |
| | <u>\$ 709,967</u> | <u>\$ 23,210</u> | <u>\$ 686,757</u> | <u>\$ 690,327</u> |
| Lillian House: | | | | |
| Furniture & equipment | \$ 4,400 | \$ 1,611 | \$ 2,789 | \$ 2,493 |
| HOpe Centre Café | | | | |
| Leasehold Improvements | \$ 4,633 | \$ 4,170 | \$ 463 | \$ 1,389 |
| Total | <u>\$ 2,179,425</u> | <u>\$ 187,041</u> | <u>\$ 1,992,384</u> | <u>\$ 1,986,842</u> |

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

5. DEFERRED REVENUE

| | <u>March 31,</u> <u>2019</u> | <u>March 31,</u> <u>2018</u> |
|----------------------------|---------------------------------|---------------------------------|
| Business Development | \$ 11,083 | \$ - |
| Enhanced Supported Housing | 28,250 | 24,982 |
| Income Outreach program | 8,655 | 8,141 |
| Mental Health Workshop | 1,000 | - |
| Peer Family Navigators | - | 4,478 |
| Peer support programming | 11,500 | 6,000 |
| Peer support – Foundry | - | 1,859 |
| STEPS program | - | 19,000 |
| Tsleil Waututh Nation | 6,000 | - |
| | <u>\$ 66,488</u> | <u>\$ 64,460</u> |

6. BC HOUSING SUBSIDIES

BC Housing subsidies received by the Association in the current year may be subject to adjustments in the following year, after BC Housing has reviewed the Association's current year consolidated financial statements.

7. DEFERRED RENTAL INDUCEMENT

On May 18, 2018, the Association entered into a sublease agreement with Southern and Associates Ltd. (the "Subtenant") to sublease 2,223 square feet of their office space. The term of the sublease commenced on September 1, 2018 and expires on June 29, 2025.

The rent paid by the Subtenant is as follows:

| Dates | Basic Rent |
|-----------------------------------|--|
| September 1, 2018 – June 30, 2019 | \$22.50 per rentable sq. ft. plus applicable taxes |
| July 1, 2019 – June 30, 2022 | \$23.50 per rentable sq. ft. plus applicable taxes |
| July 1, 2022 – June 29, 2025 | \$24.50 per rentable sq. ft. plus applicable taxes |

The Subtenant is also responsible to pay its proportionate share of building property taxes and operating expenses, which are estimated at \$13.03 per rentable sq. ft. plus applicable taxes (the "Additional Rent").

The Association has granted the Subtenant three months of free rent from September 1, 2018 to November 30, 2018. The lease incentive has been included into prepaids as additional rental inducement and is being amortized over the life of the lease on a straight line basis. The balance remaining to be amortized at March 31, 2019 is \$18,285 (2018: \$NIL)

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

7. DEFERRED RENTAL INDUCEMENT – continued

The Association also paid the equivalent of three months Basic Rent and Additional Rent plus applicable taxes to an arms-length real estate agent as commission to the Realtor for finding and securing the Subtenant.

8. OPERATING LOAN

During the year ended March 31, 2018, Association received an operating loan to borrow up to \$250,000 from Vancity Credit Union. The operating loan is charged at an interest rate of prime plus 1.5% (4.95% as at date of signing on March 19, 2018), is secured by the Arborlynn House and Harold House, and is repayable upon demand.

The operating loan at year ended March 31, 2019 is \$NIL (2018: \$NIL).

9. LONG-TERM DEBT

As part of the acquisition of its three houses in North Vancouver, the Association assumed the following debt:

- a) A loan of \$164,292 from Marineview Housing Society is secured by Goodman House, bearing no interest and without specific repayment terms. This loan becomes due and payable in the event that the Association sells the property or defaults on any loan with a prior claim on the mortgaged property. (See Note 16)
- b) A loan of \$949,738 (2018: \$981,945) from Vancity Credit Union is secured by Arborlynn House and Harold House, repayable in blended monthly payments of \$5,636, with interest at 3.79% per annum. The term of the mortgage was renewed effective March 11, 2019 with a fixed interest rate of 3.79% with monthly payments of \$5,636 until March 10, 2024.

| | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
|---------------------------------|-----------------------|-----------------------|
| Current portion | | |
| Arborlynn House loan | \$ 17,316 | \$ 17,179 |
| Harold House loan | 15,157 | 15,036 |
| Marineview Housing Society loan | 164,292 | - |
| Total | \$ 196,765 | \$ 32,215 |
| Long-term portion | | |
| Marineview Housing Society loan | \$ - | \$ 164,292 |
| Arborlynn House loan | 489,126 | 506,442 |
| Harold House loan | 428,139 | 443,288 |
| Total | \$ 917,265 | \$ 1,114,022 |

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

9. LONG-TERM DEBT - continued

Principal repayments required on long term debt are as follows under the assumption that the Association can renegotiate a debt renewal on similar terms upon maturity on March 10, 2024:

| | |
|------------|-------------------|
| 2020 | 32,473 |
| 2021 | 33,916 |
| 2022 | 35,006 |
| 2023 | 36,345 |
| 2024 | 37,736 |
| thereafter | <u>741,789</u> |
| | <u>\$ 917,265</u> |

10. FINANCIAL ASSETS AND LIABILITIES

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include inherent risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(i) Credit risk

The Association is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Association does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The Association has a large number of diverse funders which minimizes the concentration of credit risk.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its monthly mortgage payments and accounts payable and accrued liabilities. The management has set aside internally restricted fund which is sufficient for three months operations in order to minimize the risk.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to this risk mainly in respect of its mortgage payable. The management has set aside internally restricted fund which is sufficient for three months operations in order to minimize the risk.

It is management's opinion that the Association is not exposed to significant liquidity, credit or interest rate risks arising from these financial instruments.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

11. COMMITMENTS

The Association is committed to the following minimum payments (before applicable taxes) for the leased premises located on 1835 Lonsdale Avenue, North Vancouver, over the next six years. The lease on the premise commenced on July 1, 2015 and the terms of the lease (not including common area maintenance fees) are as follows:

| Year | Premises |
|-------------|-----------------|
| 2020 | 99,789 |
| 2021 | 100,688 |
| 2022 | 100,688 |
| 2023 | 106,082 |
| 2024 | 107,880 |
| 2025 | 107,880 |

12. ECONOMIC DEPENDENCE

The Association is economically dependent on Vancouver Coastal Health. The Association receives funding from Vancouver Coastal Health for its operations at Arborlynn House, Harold House and Lillian House and for the Kelty Dennehy Mental Health Centre as well as Foundry Mental Health and Addictions Services.

13. PERMISSIVE TAX EXEMPTION

The Association has been granted permissive tax exemption on property taxes for the leased premises located on 1835 Lonsdale Avenue, North Vancouver. For the year ended March 31, 2019, the permissive tax exemption of \$25,956 (2018: \$26,817) is included in the rent expense.

14. COMPENSATION

The remuneration paid to directors and to the highest paid employees and contractors as defined in the BC Societies Act are as follows:

| | 2019 | 2018 |
|--------------------|-------------|-------------|
| Executive Director | \$ 97,813 | \$ 71,945 |

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2019 and 2018

15. OTHER REVENUE

| | 2019 | 2018 |
|---------------------------------------|-------------------|------------------|
| Customized Training and Workshops | \$ 18,693 | \$ 11,067 |
| Mental Health First Aid Training | 13,580 | 2,048 |
| Office Rental Income From Counsellors | 4,108 | 5,159 |
| Other – Miscellaneous | 13,888 | 8,398 |
| Rental Income – Goodman House | 18,000 | 18,000 |
| User Fees – Counselling | 35,764 | 6,040 |
| Interest Income – Unrestricted | 45 | 40 |
| | <u>\$ 104,078</u> | <u>\$ 50,752</u> |

16. SUBSEQUENT EVENT

On April 26, 2019, the Association entered into a Purchase and Sale contract to sell the Goodman House on July 18, 2019.

The purchase price of the property is \$1,064,292 and is reduced by the existing mortgage on the property by \$164,292. The proceeds from the sale are intended to be invested in a donor advised fund.

On May 27, 2019, the Association was informed of a future unrestricted donation to be received from an estate estimated at \$730,000. The funds will come from a residual payment from the estate, and the Association will be notified when the funds are ready for distribution.

**CANADIAN MENTAL HEALTH ASSOCIATION
NORTH AND WEST VANCOUVER BRANCH**

HOMELESS OUTREACH PROGRAM

SCHEDULE OF REVENUE AND EXPENDITURES

Years Ended March 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------|---------------|
| REVENUE | | |
| B.C. Housing | \$ 101,760 | \$ 97,699 |
| EXPENDITURES | | |
| Computer expenses | 1,000 | 418 |
| Legal, audit & other dues & fees | 504 | 493 |
| Maintenance & repairs | 1,399 | 1,044 |
| Office supplies | 623 | 748 |
| Program supplies | 863 | 403 |
| Rent | 22,372 | 23,118 |
| Salaries & benefits | 68,280 | 69,928 |
| Telephone & cable | 1,477 | 1,482 |
| Training & professional development | 256 | - |
| Travel | 1,652 | 1,878 |
| | <u>98,426</u> | <u>99,512</u> |
| NET REVENUE (LOSS) | \$ 3,334 | \$ (1,813) |