

Financial Statements of

**CANADIAN MENTAL HEALTH
ASSOCIATION, KAMLOOPS
BRANCH**

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Directors of Canadian Mental Health Association, Kamloops Branch

We have audited the accompanying financial statements of the Canadian Mental Health Association, Kamloops Branch, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Mental Health Association, Kamloops Branch as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



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Report on Other Legal and Regulatory Requirements

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

Supplementary information

The supplementary information included in Schedule 1 (General Fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

June 25, 2015

Kamloops, Canada

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

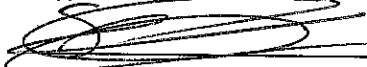
Statement of Financial Position

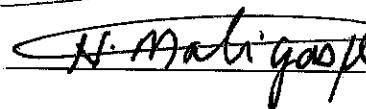
March 31, 2015, with comparative information for 2014

	General Fund	Capital Fund	Emerald Centre Fund	Replacement Reserve Fund	2015 Total	2014 Total
Assets						
Current assets:						
Cash	\$ 505,566	\$ -	\$ -	\$ -	\$ 505,566	\$ 189,652
Restricted cash (note 2)	21,556	-	-	174,556	196,112	168,523
Accounts receivable (note 3)	29,548	-	-	-	29,548	61,060
Prepaid expenses	743	-	-	-	743	876
Interfund accounts	(96,314)	156,803	(53,096)	(7,393)	-	-
	461,099	156,803	(53,096)	167,163	731,969	420,111
Capital assets (note 4)	-	2,784,257	-	-	2,784,257	3,031,309
	\$ 461,099	\$ 2,941,060	\$ (53,096)	\$ 167,163	\$ 3,516,226	\$ 3,451,420
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 5)	\$ 62,585	\$ -	\$ -	\$ -	\$ 62,585	\$ 43,313
Employee benefits and other liabilities (note 6)	195,871	-	-	-	195,871	241,303
Deferred revenue (note 7)	153,174	-	-	-	153,174	174,784
Demand loan (note 8)	-	-	-	-	-	189,430
Current portion of long-term debt (note 9)	-	42,026	-	-	42,026	43,851
	411,631	42,026	-	-	453,657	692,681
Deferred capital contributions	-	48,203	-	-	48,203	58,537
Long-term debt (note 9)	-	2,615,137	-	-	2,615,137	2,657,217
	411,631	2,705,366	-	-	3,116,997	3,408,435
Net assets:						
Invested in capital assets	-	235,694	-	-	235,694	239,077
Externally restricted (note 10)	-	-	-	32,568	32,568	32,225
Internally restricted (note 10)	-	-	-	134,595	134,595	107,356
Unrestricted	49,468	-	(53,096)	-	(3,627)	(335,673)
	49,468	235,694	(53,096)	167,163	399,229	42,985
Subsequent event (note 15)						
	\$ 461,099	\$ 2,941,060	\$ (53,096)	\$ 167,163	\$ 3,516,226	\$ 3,451,420

See accompanying notes to financial statements.

Approved by the Directors

 Director

 Director

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Statements of Operations and Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	General Fund	Capital Fund	Emerald Centre Fund	Replacement Reserve Fund	2015 Total	2014 Total
Revenues:						
B.C. Housing Management	\$ -	\$ -	\$ 1,539,405	\$ -	\$ 1,539,405	\$ 1,410,566
Interior Health Authority	286,510	-	-	-	286,510	284,992
Rent	154,522	-	50,826	-	205,348	176,488
CMHA B.C. Division	143,758	-	-	-	143,758	204,998
Community Gaming grant	86,500	-	-	-	86,500	86,250
Donations and other	50,443	-	23,627	-	74,070	53,632
United Way	30,000	-	25,000	-	55,000	118,052
Homeless Partnering Service	-	-	37,870	-	37,870	-
Amortization of DCC	-	10,334	-	-	10,334	12,845
Interest	1,255	-	-	1,500	2,755	1,313
	752,989	10,334	1,676,727	1,500	2,441,550	2,349,136
Expenses:						
Accounting and legal	30,783	-	28,221	-	59,004	83,396
Administration	-	-	-	-	-	3,600
Advertising and promotion	1,748	-	-	-	1,748	2,545
Amortization	-	100,431	-	-	100,431	109,288
Bank charges and interest	76	-	5	-	81	152
Client allowances	25,890	-	-	-	25,890	25,717
Contractor	48,666	-	14,590	-	63,256	-
Insurance	10,749	-	6,986	-	17,735	17,521
Interest on long-term debt	7,587	-	101,927	-	109,514	42,174
Office and janitorial	31,666	-	53,229	-	84,895	55,119
Program expenditures	58,560	-	158,941	-	217,501	222,311
Rent	1,184	-	516	-	1,700	8,425
Repairs and maintenance	20,419	-	37,561	-	57,980	67,052
Staff and board development	5,869	-	2,470	-	8,339	3,086
Travel	10,619	-	5,024	-	15,643	16,120
Utilities	47,981	-	41,105	-	89,086	94,854
Wages and benefits	512,887	-	1,033,455	-	1,546,342	1,752,805
	814,684	100,431	1,484,030	-	2,399,145	2,504,166
Excess (deficiency) of revenues over expenses before the undernoted items						
	\$ (61,695)	\$ (90,097)	\$ 192,697	\$ 1,500	\$ 42,405	\$ (155,031)
Other income:						
Gain on disposal of properties	-	275,639	-	-	275,639	-
Recovery of vacation pay	38,200	-	-	-	38,200	-
Net excess (deficiency) of revenues over expenses						
	(23,495)	185,542	192,697	1,500	356,244	(155,031)
Net assets, beginning of year						
	(89,880)	239,077	(245,793)	139,581	42,985	198,016
Interfund transfers:						
Principal repayments	(233,335)	233,335	-	-	-	-
Purchases of capital assets	(5,917)	5,917	-	-	-	-
Proceeds from sale of properties	428,177	(428,177)	-	-	-	-
Transfers to reserves	(26,082)	-	-	26,082	-	-
Net assets, end of year						
	\$ 49,468	\$ 235,694	\$ (53,096)	\$ 167,163	\$ 399,229	\$ 42,985

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 356,244	\$ (155,031)
Items not involving cash:		
Amortization of capital assets	100,431	109,288
Amortization of deferred capital contributions	(10,334)	(12,845)
Gain on disposal of properties	(275,639)	-
Recovery of vacation pay	(38,200)	-
Accounts receivable	31,513	54,956
Prepaid expenses	133	9,300
Accounts payable, employee benefits payable and accrued liabilities	12,040	(140,777)
Deferred revenue	(21,610)	(2,775)
	154,578	(137,884)
Financing activities:		
Repayments on demand loan	(189,430)	(10,570)
Repayments on long-term debt	(43,905)	(17,941)
	(233,335)	(28,511)
Investing activities:		
Purchase of capital assets	(5,917)	(89,898)
Deferred capital contributions	-	62,438
Proceeds from sale of properties	428,177	-
	422,260	(27,460)
Increase (decrease) in cash	343,503	(193,855)
Cash, beginning of year	358,175	552,030
Cash, end of year	\$ 701,678	\$ 358,175
Cash consists of:		
Cash	\$ 505,566	\$ 189,652
Restricted cash	196,112	168,523
	\$ 701,678	\$ 358,175

See accompanying notes to financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements

Year ended March 31, 2015

Nature of operations:

Canadian Mental Health Association, Kamloops Branch (the "Association") is a not-for-profit registered society incorporated without share capital under the Society Act of British Columbia. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Its purpose is to deliver a broad range of programs promoting mental health for all and support the resilience and recovery of people experiencing mental illness.

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook. The Association's significant accounting policies are as follows:

(a) Fund accounting:

The Association reports its activities on a fund accounting basis. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own statement of operations and net assets which presents the results of operations for the fund. The statement of financial position of the Association includes the assets, liabilities and net assets of all funds presented in the financial statements.

The general fund reports the Association's program delivery, administrative and fundraising activities of the Kamloops, Merritt Clubhouse, Youth Program, Consumer Facilitation and Bounce Back programs and housing programs in the respective funds. While these activities are restricted by the terms of the contracts entered into with funding agencies, the net assets retained after completing these activities are under no restriction in how they may be used by the Association.

The Emerald centre fund reports the assets, liabilities, revenues and expenses related to an emergency shelter program and a housing assistance program in accordance with an agreement with B.C. Housing Management Commission.

The capital fund reports the assets, liabilities, revenues and expenses related to the Association's capital assets.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

The replacement reserve fund reports the assets, liabilities, revenues and expenses as prescribed by the B.C. Housing Management Commission as well as internal appropriations made by the Board of Directors of the Association.

All inter-fund balances have been eliminated on the statement of operations, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual unaudited supplementary schedule as presented in Schedule 1.

(b) Revenue recognition:

The Association recognizes revenue in accordance with the restricted fund method of accounting for contributions.

Externally restricted contributions related to general operations are recognized as revenue of the unrestricted accounts in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate accounts, restricted or capital.

Unrestricted contributions are recognized as revenue of the unrestricted accounts in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cash donations are recorded as income when received. Donations received in-kind are recognized as revenue when received and when their fair market value can be reasonably estimated.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Interest income is recorded as earned.

Rental income is recorded in accordance with the terms of the agreement, when proceeds are collected or when collection is reasonably assured.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a declining balance basis using the following annual rates:

Asset	Rate
Buildings	4%
Equipment	20%
Furniture and fixtures	20%
Computers	45%

(d) Inter-fund transfers:

Transfers between the net asset accounts are accounted for as an appropriation from accumulated net asset balances.

(e) Use of estimates:

The preparation of the financial statements in accordance with Not-for-Profit Standards 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 revenue and expenses during the year. Actual results could differ from those estimates. Significant areas subject to such estimates and assumptions include the estimated useful lives and recoverable amounts of capital assets and sick leave benefits utilization. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to the Association. Due to the difficult nature in determining a fair value for these services, they are not recognized in the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(g) Employee benefits:

- i) The Association provides certain employee benefits which will require funding in future periods. These benefits include non-vesting sick leave and banked overtime provided to employees. The costs of sick leave and banked overtime arising from past service and expected to be paid out in a future period have been accrued as a liability and have been determined using management's best estimate of salary and utilization rates.
- ii) The costs of multi-employer defined contribution pension plan benefits, such as the Provincial Municipal Pension Plan (the "Plan"), are the employer's contributions due to the plan in the period.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Restricted cash:

	2015	2014
Community Gaming grant	\$ 21,556	\$ 21,549
Emerald Centre replacement reserve	33,853	33,510
Clubhouse replacement reserve	45,378	44,918
Golden Vista and Meadow Creek replacement reserves	95,325	68,546
	<u>\$ 196,112</u>	<u>\$ 168,523</u>

Revenue earned from the Community Gaming grant is used to purchase goods and services required to provide the various programs offered by the Association. Gaming funds are expended for eligible costs incurred during the period and the remaining unused portion is recorded as deferred revenue (note 7).

The Association makes transfers to the Clubhouse, Golden Vista and Meadow Creek replacement reserves at the discretion of the Board of Directors (note 10) and to the Emerald Centre as a requirement under the terms of the B.C. Housing Management Commission agreement.

3. Accounts receivable:

	2015	2014
CMHA B.C. Division	\$ 18,934	\$ 51,250
Goods and Services Tax recoverable	7,063	9,810
City of Kamloops	3,551	-
	<u>\$ 29,548</u>	<u>\$ 61,060</u>

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 754,945	\$ -	\$ 754,945	\$ 833,381
Buildings	2,371,363	412,878	1,958,485	2,114,190
Equipment	105,996	43,699	62,297	75,079
Furniture and fixtures	102,780	96,222	6,558	8,197
Computers	22,775	20,803	1,972	462
	\$ 3,357,859	\$ 573,602	\$ 2,784,257	\$ 3,031,309

Certain land and buildings have been pledged as security on the long-term debt (note 9) and commercial line of credit (note 11) in accordance with the respective agreements.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$24,201 (2014 - \$nil), which includes amounts payable for payroll related taxes.

6. Employee benefits and other liabilities:

	2015	2014
Sick leave (a)	\$ 99,690	\$ 73,309
Wages and benefits	49,412	42,337
Vacation	32,099	105,119
Banked overtime	7,628	16,620
Long-term disability	7,042	3,918
	\$ 195,871	\$ 241,303

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Employee benefits and other liabilities (continued):

(a) Accumulated sick leave:

The Association provides benefits for sick leave to all its unionized employees and Emerald Centre employees, excluding casual staff. All eligible employees accumulate non-vesting sick leave entitlement on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Under the terms of the current agreement, employees earn sick leave benefits at a rate of 6.9% of base pay for service, which accumulate and carry forward year-to-year, up to a maximum of 1,170 hours per employee.

The total liability for these sick leave benefits recorded on the statement of financial position in respect of the obligation under this plan amounts to \$99,690 (2014 - \$73,309).

Change in estimate:

The Association reviews the estimated sick leave utilization for all of the eligible employees when new information becomes available. During the year ended March 31, 2015, this review indicated that the actual sick leave utilization for the employees at Emerald Centre was deemed to be higher than the previously estimated utilization. As a result, accounted for prospectively effective April 1, 2014, the Association has changed its estimate of the expected utilization of sick leave for the eligible Emerald Centre employees from 50% to 100%. The effect of this change in estimate is an increase of \$41,127 in the sick pay liability as at March 31, 2015.

(b) Pension plans:

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 investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 182,000 (2014 - 179,000) active members and approximately 75,000 (2014 - 71,000) retired members.

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 a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 2015 with results available in 2016.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Employee benefits and other liabilities (continued):

(b) Pension plans (continued):

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The Association paid \$13,658 (2014 - \$15,584) for employer contributions to the Plan during the year ended March 31, 2015.

7. Deferred revenue:

Funding received in advance of program deliverables being completed are deferred and recognized in the period in which the related activities occur. Advances deferred at year-end relate to the following funding:

	2015	2014
B.C. Housing Management	\$ 124,355	\$ 128,284
Community Gaming grant	21,500	21,500
Interior Health Authority	2,020	-
United Way	-	25,000
Other	5,299	-
	\$ 153,174	\$ 174,784

8. Demand loan:

	2015	2014
Interior Savings Credit Union, demand loan, repaid upon sale of property located at 831 Serle Road (Cariboo Manor)	\$ -	\$ 189,430
	\$ -	\$ 189,430

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Long-term debt:

	2015	2014
People's Trust Company, mortgage, repayable in monthly instalments of \$11,671 including interest at the bank's prime commercial lending rate plus 0.84% per annum (March 31, 2015 - 3.84% in aggregate), due November 2023, secured by a general security agreement and a collateral mortgage constituting a first fixed charge on land and building located at 271 Victoria Street with a net book value of \$2,480,692 (2014 - \$2,558,216)	\$ 2,654,742	\$ 2,692,871
Interior Savings Credit Union, mortgage, repayable in monthly instalments of \$500 including interest at the bank's prime commercial lending rate plus 1.0% per annum (March 31, 2015 - 3.85% in aggregate), due March 2016, secured by a commercial security agreement covering all present and after-acquired property and a deposit of duplicate title for land and building located at 257 Seymour Street with a net book value of \$177,300 (2014 - \$180,284)	2,421	8,197
	2,657,163	2,701,068
Current portion of long-term debt	42,026	43,851
	\$ 2,615,137	\$ 2,657,217

Scheduled principal repayments due within each of the next five years and thereafter is as follows:

2016	\$ 42,026
2017	41,142
2018	43,737
2019	44,393
2020	46,115
Thereafter	2,439,750
	\$ 2,657,163

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Replacement reserve fund:

	Golden Vista	Meadow Creek	Clubhouse	Emerald Centre	2015	2014
Net assets, beginning of year \$	39,963 \$	23,184 \$	44,209 \$	32,225 \$	139,581 \$	112,186
Excess of revenue over expenses	697	-	460	343	1,500	1,313
Transfers	14,490	11,592	-	-	26,082	26,082
Net assets, end of year	\$ 55,150 \$	34,776 \$	44,669 \$	32,568 \$	167,163 \$	139,581

The transfers to the reserves for the Clubhouse, Golden Vista and Meadow Creek are at the discretion of the Board of Directors and approval of the B.C. Housing Management Commission is required for the use of these funds.

Under the terms of the B.C. Housing Management Commission agreement, the Association is required to make an annual transfer to the Emerald Centre replacement reserve by way of cash deposit to a separate bank account. The required transfer for the year ended March 31, 2015 totaled \$nil (2014 - \$nil). Major unbudgeted repairs may be paid from this account with the approval of the B.C. Housing Management Commission.

11. Line of credit:

The Association has a commercial line of credit from Interior Savings Credit Union which bears interest at the bank's prime commercial lending rate plus 1.0% (March 31, 2015 - 3.85% in aggregate). The line of credit is available to a maximum of \$50,000 and is secured by a commercial security agreement covering all present and after-acquired property of the Association. As at March 31, 2015, the loan balance totaled \$nil (2014 - \$nil).

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Operating capital management:

The Association defines operating capital to be net assets. The Association receives its principal source of operating capital through various contracts with the Province of British Columbia and other not-for-profit agencies. The Association's objective when managing operating capital is to fund its operations, capital asset additions, and to expand its outreach into the mental health issues in the southern interior of British Columbia. The Association manages the operating capital structure in conjunction with the Province of British Columbia and makes adjustments based on available contractual funding and economic conditions. Currently, the Association's strategy is to monitor expenditures to preserve operating capital and to pursue new contracts and revenue producing opportunities. Funding received for designated purposes must be used for the purpose outlined in the grant, contract or license. The Association has complied with the external restrictions on the funding provided.

13. Economic dependence:

The Association receives a majority of its revenue from government sources, notably from B.C. Housing Management which comprises approximately 63% (2014 - 60%) of the annual revenues. Revenues are earned pursuant to an Emergency Shelter Program Agreement. Subsequent to year-end, the agreement was renewed with a twelve month term expiring on March 31, 2016. Any disruption of these funding arrangements could have a significant impact on the Association's operations.

14. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. All of the accounts receivable are from provincial and federal government entities. There has been no change in the risk exposure from 2014.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. As the Association's current year operations resulted in a surplus compared to a deficit in 2014 and there has been an improvement in the current ratios, the risk exposure has decreased from 2014.

CANADIAN MENTAL HEALTH ASSOCIATION, KAMLOOPS BRANCH

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Financial risks and concentration of risk: (continued):

(c) Interest rate risk:

Long-term debt is subject to interest rate cash flow risk as the required payments to service the debt will fluctuate as a result of the variable prime commercial lending rate. The Association did not employ interest rate hedging activities during the period, allowing these items to generally float at market rates of interest. As the demand loan bearing interest at a variable rate was extinguished during the year, the risk exposure has decreased from 2014.

15. Subsequent event:

Subsequent to the year end, the Board approved a transfer of \$230,000 from unrestricted cash to internally restricted cash.

