

Financial Statements of

**CANADIAN MENTAL HEALTH ASSOCIATION
CALGARY REGION**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Mental Health Association – Calgary Region.

Qualified Opinion

We have audited the financial statements of Canadian Mental Health Association – Calgary Region (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion***” section of our auditors' report, the financial statements present fairly, in all material respects, the financial position of Canadian Mental Health Association – Calgary Region as at March 31, 2022, 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.



Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Mental Health Association – Calgary Region derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether, as at and for the years ended March 31, 2022 and March 31, 2021, any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2022 and March 31, 2021
- the fundraising revenues and (deficiency) excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2022 and March 31, 2021
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2022 and March 31, 2021
- the (deficiency) excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2022 and March 31, 2021.

Our opinion on the financial statements for the year ended March 31, 2021 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***“Auditors’ Responsibilities for the Audit of the Financial Statements”*** section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 22, 2022

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Statement of Financial Position

March 31, 2022, with comparative figures for 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 463,563 | \$ 1,522,491 |
| Short-term investments (note 4) | 808,539 | 432,487 |
| Accounts receivable | 131,728 | 93,048 |
| Prepaid expenses | 39,785 | 68,001 |
| | <u>1,443,615</u> | <u>2,116,027</u> |
| Mortgage receivable (note 5) | 1 | 1 |
| Long-term investments (note 6) | 1,521,713 | 1,864,842 |
| Capital assets (note 7) | 1,509,722 | 1,658,222 |
| Intangible assets (note 7) | 12,105 | 18,158 |
| | <u>\$ 4,487,156</u> | <u>\$ 5,657,250</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 8) | \$ 962,740 | \$ 1,096,298 |
| Deferred revenue (notes 3 and 9) | 1,767,375 | 2,376,288 |
| Current portion of obligation under capital lease (note 10) | 8,806 | 8,806 |
| | <u>2,738,921</u> | <u>3,481,392</u> |
| Non-current liabilities: | | |
| Obligation under capital lease (note 10) | 1,757 | 10,561 |
| Deferred capital contributions (note 11) | 458,410 | 496,526 |
| | <u>460,167</u> | <u>507,087</u> |
| Total liabilities | 3,199,088 | 3,988,479 |
| Net assets | 1,288,068 | 1,668,771 |
| Commitments (note 12) | | |
| Contingency (note 17) | | |
| | <u>\$ 4,487,156</u> | <u>\$ 5,657,250</u> |

See accompanying notes to financial statements.

Approved by the Board of Directors:

Director

Director

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Statement of Operations

Year ended March 31, 2022, with comparative figures for 2021

| | 2022 | 2021 |
|---|---------------------|-------------------|
| Revenue: | | |
| Alberta Health Services | \$ 4,088,011 | \$ 4,158,069 |
| Fund development | 1,769,382 | 957,718 |
| City of Calgary | 449,890 | 885,202 |
| Grants | 343,366 | 474,943 |
| Province of Alberta | 327,228 | 878,746 |
| United Way | 300,000 | 601,000 |
| Government of Canada (note 16) | 234,627 | 430,083 |
| Other revenue | 900,389 | 491,854 |
| | <u>8,412,893</u> | <u>8,877,615</u> |
| Expenses: | | |
| Salaries and benefits | 6,309,733 | 6,060,389 |
| Purchased services | 909,403 | 723,867 |
| Building occupancy | 651,263 | 645,038 |
| Purchased services – provincial project | – | 404,865 |
| Other program expenditures | 344,231 | 306,203 |
| Depreciation | 154,553 | 154,553 |
| Office and administrative | 213,116 | 148,770 |
| Divisional fees | 45,284 | 46,558 |
| Program travel and education | 88,480 | 37,994 |
| Promotion and education materials | 12,539 | 18,822 |
| Recruitment and recognition | 64,994 | 9,768 |
| | <u>8,793,596</u> | <u>8,556,827</u> |
| (Deficiency) excess of revenue over expenses | <u>\$ (380,703)</u> | <u>\$ 320,788</u> |

See accompany notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative figures for 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Balance, March 31, 2021 | \$ 1,668,771 | \$ 1,347,983 |
| (Deficiency) excess of revenue over expenses | (380,703) | 320,788 |
| Balance, March 31, 2022 | \$ 1,288,068 | \$ 1,668,771 |

See accompany notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Statement of Cash Flows

Year ended March 31, 2022, with comparative figures for 2021

| | 2022 | 2021 |
|--|--------------------|---------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| (Deficiency) excess of revenue over expenses | \$ (380,703) | \$ 320,788 |
| Non-cash revenues and expenses: | | |
| Depreciation expense | 154,553 | 154,553 |
| Amortization of deferred capital contributions (note 11) | (38,115) | (38,115) |
| Change in non-cash working capital: | | |
| Accounts receivable | (38,680) | (20,153) |
| Prepaid expenses | 28,216 | (16,470) |
| Accounts payable and accrued liabilities | (133,558) | 168,644 |
| Deferred revenue | (608,913) | 173,163 |
| | <u>(1,017,200)</u> | <u>742,410</u> |
| Investments: | | |
| Purchase of short-term investments | (421,016) | (204,787) |
| Redemption of short-term investments | 44,963 | – |
| Redemption of long-term investments | 418,275 | 461,654 |
| Purchase of long-term investments | (75,146) | (301,000) |
| | <u>(32,924)</u> | <u>(44,133)</u> |
| Financing: | | |
| Payment on capital lease obligation | (8,804) | (8,238) |
| | <u>(8,804)</u> | <u>(8,238)</u> |
| (Decrease) increase in cash and cash equivalents | <u>(1,058,928)</u> | <u>690,039</u> |
| Cash and cash equivalents, beginning of year | 1,522,491 | 832,452 |
| Cash and cash equivalents, end of year | <u>\$ 463,563</u> | <u>\$ 1,522,491</u> |

See accompany notes to the financial statements.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements

Year ended March 31, 2022, with comparative figures for 2021

1. Nature of operations:

The Canadian Mental Health Association – Calgary Region (the “Association”) is a leader in reducing the impact of mental disorders and in promoting mental health and wellness through community based services.

The Association, as a registered charity, is exempt from income taxes under Section 149(1)(l) of the Income Tax Act and may issue receipts to donors for tax deductible donations. Accordingly, no provision for income taxes has been made in these financial statements.

2. Significant accounting policies:

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (“CPA”) Handbook and include the following significant accounting policies:

(a) Basis of presentation:

The financial statements reflect the combined operations of all programs of the Association and do not include the assets, liabilities, revenue or expenditures of any affiliated organizations.

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The Association is following health advisories and mandatory requirements from local, provincial and national health and government organizations.

Market conditions have improved over the course of fiscal 2022 as nations began re-opening their economies. Resurgence of COVID-19 cases (including cases related to variants or mutations of the COVID-19 virus) continue to some extent in certain geographic areas, and the possibilities that a resurgence may occur in other areas, has resulted in the re-imposition of certain restrictions by local authorities from time to time. In addition, while vaccines are being distributed, there is uncertainty as to the timing, level of adoption, duration of efficacy and overall effectiveness of the vaccine against variants or mutations.

As at the reporting date, the Association has determined that COVID-19 has had no impact on its contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. The Association has been successful in receiving the Canada Emergency Wage Subsidy (“CEWS”) (note 16).

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 2

Year ended March 31, 2022, with comparative figures for 2021

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

The Association continues to use its capital assets and management has not assessed any impairment that needs to be recognized on these assets at March 31, 2022. The Association continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2022, the Association continues to meet its contractual obligations within normal payment terms and the Association's exposure to credit risk remains largely unchanged.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Capital expenditures with a cost over \$5,000 are recorded on the statement of financial position. Contributed capital assets are recorded on the statement of financial position at fair value at the date of contribution, if their value exceeds \$5,000.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as below.

| | |
|----------------------------------|----------|
| Buildings | 25 years |
| Leasehold improvement | 10 years |
| Office equipment | 10 years |
| Photocopiers under capital lease | 5 years |

Capital assets acquired during the first half of the fiscal year are depreciated for a full year. Capital assets acquired during the second half of the fiscal year are not depreciated until the following fiscal year.

The Association regularly reviews its capital assets to eliminate obsolete items. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. 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.

(d) Intangible assets:

Intangible assets are recorded at cost less accumulated amortization. Intangible expenditures with a cost over \$5,000 are recorded on the statement of financial position.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 3

Year ended March 31, 2022, with comparative figures for 2021

2. Significant accounting policies (continued):

(d) Intangible assets (continued):

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as below.

| | |
|----------|---------|
| Software | 5 years |
|----------|---------|

Intangible assets acquired during the first half of the fiscal year are depreciated for a full year. Intangible assets acquired during the second half of the fiscal year are not depreciated until the following fiscal year.

The Association regularly reviews its intangible assets to eliminate obsolete items. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. When a intangible asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

(e) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the acquisition of capital assets are recognized as revenue in the amounts that match the amortization expense of the related capital assets purchased with the contributions.

Donation revenue is recognized in the current year only when funds have been committed within the year and when collections of funds has been made within 30 days of the year end; otherwise it is recorded in the year in which it is received.

Other revenue, including rental, service fees and investment income, is recognized as revenue in the period in which it is earned.

(f) Deferred revenue:

Deferred revenue includes unexpended grants, donations and other contributions received prior to the year-end, which have a restriction on the use of the funds. Such restrictions are imposed by the contributor. These will be recorded as revenue in the year the Association complies with the restrictions.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 4

Year ended March 31, 2022, with comparative figures for 2021

2. Significant accounting policies (continued):

(g) Deferred rent:

The Association is committed to an office lease which includes increases in base rent. Base rent cost, including rent free periods and inducements, is amortized on a straight-line basis over the life of the lease. Deferred rent liability represents the difference between amount paid and amount expensed and is included in account payable.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition, except for certain non-arm's length transactions that are measured at the exchange amount. 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 elected to carry investments in equity instruments that are quoted in an active market at fair value. Changes in fair value, if any, are recognized in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line method.

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 period, an impairment loss will be reversed to the extent of improvement, not exceeding the initial carrying value.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 5

Year ended March 31, 2022, with comparative figures for 2021

2. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include the valuation of accounts receivable and mortgage receivable, recoverability and useful life of capital assets, and amounts recorded for sick, short-term disability and wellness benefits in respect of sick time. Actual results could differ from those estimates.

(j) Contributed services:

Volunteers assist the Association in carrying out certain activities. Due to uncertainty in determining fair value of the service and given that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

(k) Government assistance:

The Association applies for financial assistance under available government incentive programs. Government assistance relating to expenses of the period are recorded as revenue on the statement of operations.

3. Cash and cash equivalents:

Cash includes an account with a balance of \$29,398 (2021 – \$272,829). Amounts raised from activities regulated by Alberta Gaming, Liquor and Cannabis (AGLC), which requires that gaming activity proceeds be held separately from operating accounts, have been deposited to this account. The use of proceeds from AGLC regulated activities is restricted to certain expenditures approved by regulatory authorities and the unspent portion of those proceeds is reported as deferred revenue as disclosed in note 9.

4. Short-term investments:

Short-term investments are comprised of funds held in high interest savings accounts, with interest rates approximating at 1.1% (2021 – 1.1%) per annum.

Included in short-term investments is \$5,200 (2021 – \$5,200) required to be invested in The Bingo Bar Association (“Bingo Bar”) in order to use their services for fundraising. The investment is not structured to generate a return and the carrying value reflects the amount expected to be returned when the Association ceases to use Bingo Barn for fundraising in the future. The cost of the short-term investments as at March 31, 2022, is \$808,539 (2021 – \$432,487).

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 6

Year ended March 31, 2022, with comparative figures for 2021

5. Mortgage receivable:

On August 26, 1998, the Association advanced \$40,000 to Horizon Housing Society to assist in the acquisition of a new group home. The advance is non-interest bearing and, as security, the borrower provided a mortgage on the property. The balance is payable upon demand if certain events occur but the entire balance has been classified as a long-term receivable because the Association does not anticipate that events will occur which will allow it to demand repayment over the next twelve months. The advance was revalued at anticipated net realizable value effective April 1, 2011.

6. Long-term investments:

Long-term investments are comprised of Guaranteed Investment Certificates with yields ranging from 1.6% to 3.35% (2021 – 1.6% to 3.35%) per annum, maturing on February 2024 with a market value of \$1,521,713 (2021 – \$1,864,842). Upon maturity, Guaranteed Investment Certificates are intended to be reinvested. The cost of the long-term investments as at March 31, 2022, is \$1,428,000 (2021 – \$1,775,933).

7. Capital and intangible assets:

| | Cost | Accumulated amortization | 2022 Net book value | 2021 Net book value |
|----------------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 385,000 | \$ – | \$ 385,000 | \$ 385,000 |
| Building | 420,282 | 46,231 | 374,051 | 390,862 |
| Leasehold improvements | 1,106,931 | 446,360 | 660,571 | 771,146 |
| Office equipment | 132,050 | 50,453 | 81,597 | 94,211 |
| Photocopiers under capital lease | 42,507 | 34,004 | 8,503 | 17,003 |
| | \$ 2,086,770 | \$ 577,048 | \$ 1,509,722 | \$ 1,658,222 |

| | Cost | Accumulated amortization | 2022 Net book value | 2021 Net book value |
|----------|-----------|-----------------------------|---------------------------|---------------------------|
| Software | \$ 30,263 | \$ 18,158 | \$ 12,105 | \$ 18,158 |

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 7

Year ended March 31, 2022, with comparative figures for 2021

8. Government remittances:

Included in accounts payable and accrued liabilities are government remittances of \$37,309 (2021 – \$18,118), which include amounts payable for payroll related taxes.

9. Deferred revenue:

Deferred revenue is comprised of the unspent portion of externally restricted operating funds received in the current period from various government and community sources.

| | Balance March 31, 2021 | Additions | Amount recognized as revenue | Balance March 31, 2022 |
|-------------------------|------------------------------|---------------------|------------------------------------|------------------------------|
| Alberta Health Services | \$ – | \$ 4,146,720 | \$ 4,055,221 | \$ 91,499 |
| Province of Alberta | 189,032 | 125,000 | 289,032 | 25,000 |
| Municipal grants | 187,500 | 794,750 | 449,891 | 532,359 |
| Estate of Steven Blitz | 938,082 | 32,000 | – | 970,082 |
| Other | 1,061,674 | 550,129 | 1,463,368 | 148,435 |
| | \$ 2,376,288 | \$ 5,648,599 | \$ 6,257,512 | \$ 1,767,375 |

10. Obligation under capital lease:

The Association entered into a lease agreement for several photocopiers. The agreement is repayable in monthly installments of \$820 (2021 – \$820) and carries an interest rate of 6.72%. The maturity date of the lease agreement is March 1, 2023. The capital lease payable is secured by the underlying asset and comprised as follows:

| | 2022 | 2021 |
|--|------------------|------------------|
| Current liabilities: | | |
| Current portion of capital lease payable | \$ 8,806 | \$ 8,806 |
| Non-current liabilities: | | |
| Capital lease payable | 1,757 | 10,561 |
| | \$ 10,563 | \$ 19,367 |

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 8

Year ended March 31, 2022, with comparative figures for 2021

10. Obligation under capital lease (continued):

The annual scheduled repayment of the capital lease payable is as follows:

| | |
|------|-----------|
| 2023 | 8,806 |
| 2024 | 1,757 |
| | <hr/> |
| | \$ 10,563 |

11. Deferred capital contributions:

The Association's contributors and funders have provided the following amounts for acquisition of capital assets. Recognition of these amounts is deferred and amortized into revenues on the same basis as the amortization expense recognized on the capital assets the contributions were used to purchase.

| | 2022 | 2021 |
|---|------------------|------------------|
| Balance, beginning of year | \$ 496,526 | \$ 534,641 |
| Amounts recognized as revenue during the year | (38,116) | (38,115) |
| Balance, end of year | <hr/> \$ 458,410 | <hr/> \$ 496,526 |

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 9

Year ended March 31, 2022, with comparative figures for 2021

12. Commitments:

The Association is committed under leases for office space and rental properties which expire on various dates. The future minimum rental payments, exclusive of occupancy costs, required under the various leases are as follows:

| | Office Space | Rental properties | Total |
|------------|-------------------|----------------------|---------------------|
| 2023 | 140,640 | 263,496 | 404,136 |
| 2024 | 140,640 | – | 140,640 |
| 2025 | 143,881 | – | 143,881 |
| 2025 | 179,535 | – | 179,535 |
| 2027 | 179,535 | – | 179,535 |
| Thereafter | 179,535 | – | 179,535 |
| | <u>\$ 963,766</u> | <u>\$ 263,496</u> | <u>\$ 1,227,262</u> |

On March 17, 2017, the Association signed a lease agreement for office space, commencing from March 2018 until February 2028. Minimum rental payments for the first four years of the lease have been waived. On February 8, 2022, an agreement was signed to amend the lease to include the 3rd floor of office space, from March 1, 2023 to February 29, 2028. Minimum rental payments have been waived for the first two years.

13. Financial instruments:

The Association is exposed to the following significant financial risks:

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association has credit risk with respect to its cash, investments, accounts receivable and mortgage receivable. The Association mitigates its exposure to credit loss by placing its cash and investments with a major financial institution.

Accounts receivable is comprised mainly of amounts receivable from Alberta Health Services and a Goods and Services Tax rebate, therefore, the Association has assessed credit risk as low. Mortgage receivable has already been revalued to its anticipated net realizable value.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk to the extent that investments are at fixed rates of interest.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 10

Year ended March 31, 2022, with comparative figures for 2021

13. Financial instruments (continued):

(c) 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 does not believe it is subject to any significant concentration of liquidity risk.

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.

There has been no significant changes in risk profiles of the Association, as compared to prior year. Refer to basis of presentation note for COVID-19 considerations.

14. Additional information:

As required under section 7(2) of the Alberta Charitable Fundraising Regulations, the following amounts are disclosed:

| | 2022 | 2021 |
|--|-----------|------------|
| Amounts paid during the year as remuneration to employees whose principal duties include fundraising | \$ 89,937 | \$ 101,750 |
| Direct fundraising expenses for the purpose of soliciting contributions | \$ 7,377 | \$ 6,616 |

15. Related party transactions:

The Association is an affiliate of the Canadian Mental Health Association - Alberta. During the year the Association paid affiliation fees of \$45,284 (2021 – \$45,472) to Canadian Mental Health Association - Alberta.

CANADIAN MENTAL HEALTH ASSOCIATION – CALGARY REGION

Notes to Financial Statements, page 11

Year ended March 31, 2022, with comparative figures for 2021

16. Government assistance:

The Government of Canada created a program called the Canada Emergency Wage Subsidy (“CEWS”) to provide financial assistance to organizations who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Association met the eligibility requirements and applied for \$234,627 (2021 – \$430,083) for the CEWS program. The entire amount is non-repayable and have been recognized as revenue in the statement of operations for the year ended March 31, 2022. As at March 31, 2022, \$59,419 (2021 – \$43,881) remains in accounts receivable.

17. Contingency:

Periodically, the Association may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Association’s assessment of the likely outcome of such matters is based on input from internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information, and other evidence and facts specific to the matter as known at the time of the assessment.

A statement of claim was filed against the Association by one former employee. At this time, no assurance can be given as to the final outcome.