

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2015

THE CHILDREN'S FOUNDATION
Financial Statements
For the Year Ended 31 March 2015

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INDEPENDENT AUDITORS' REPORT

To the Members,
The Children's Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Foundation, which comprise the statement of financial position as at 31 March 2015 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





INDEPENDENT AUDITORS' REPORT - Continued

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Rolfe, Benson LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada
10 June 2015



THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2015

	Operating Fund	Capital Fund	Designated Funds	Total	
				2015	2014
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	187,391	-	357,997	545,388	530,223
Term deposit (restricted)	200,000	-	-	200,000	200,000
Accounts receivable	55,526	-	-	55,526	23,734
Prepaid expenses	30,829	-	-	30,829	13,625
	473,746	-	357,997	831,743	767,582
Building and equipment (Note 3)	-	2,048,082	-	2,048,082	2,095,168
	473,746	2,048,082	357,997	2,879,825	2,862,750
Liabilities					
Current					
Accounts payable	141,055	-	-	141,055	103,848
Accrued wages payable	78,304	-	-	78,304	79,746
Accrued vacation and sick leave payable (Note 10)	352,040	-	-	352,040	354,911
Government remittances payable	21,375	-	-	21,375	20,330
Deferred contributions (Note 4)	53,501	-	-	53,501	46,678
Capital lease obligation - current portion (Note 5)	-	18,700	-	18,700	-
	646,275	18,700	-	664,975	605,513
Capital lease obligation (Note 5)	-	19,460	-	19,460	-
	646,275	38,160	-	684,435	605,513
Commitments (Note 7)					
Contingent liabilities (Note 8)					
Fund balances					
Externally restricted	-	-	98,587	98,587	96,722
Internally restricted	300,000	-	259,410	559,410	555,051
Unrestricted	(472,529)	-	-	(472,529)	(489,704)
Invested in capital assets	-	2,009,922	-	2,009,922	2,095,168
	(172,529)	2,009,922	357,997	2,195,390	2,257,237
	473,746	2,048,082	357,997	2,879,825	2,862,750

APPROVED BY THE DIRECTORS:

Director

Director

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S FOUNDATION
Statement of Changes in Fund Balances
For the Year Ended 31 March 2015

	Operating Fund		Capital Fund	Designated Funds		Total	
	Unrestricted	Internally Restricted		Externally Restricted	Internally Restricted	2015	2014
	\$	\$	\$	\$	\$	\$	\$
Balance - beginning of year	(489,704)	300,000	2,095,168	96,722	255,051	2,257,237	2,342,025
Excess (deficiency) of revenue over expenses for the year	(68,071)	-	-	1,865	4,359	(61,847)	(84,788)
Purchase of capital assets	(104,304)	-	104,304	-	-	-	-
Amortization of building and equipment	151,390	-	(151,390)	-	-	-	-
Interfund transfer	38,160	-	(38,160)	-	-	-	-
Balance - end of year	(472,529)	300,000	2,009,922	98,587	259,410	2,195,390	2,257,237

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S FOUNDATION
Statement of Operations
For the Year Ended 31 March 2015

	Operating Fund	Designated Funds	Total 2015	2014
	\$	\$	\$	\$
Revenue				
Provincial government funding	5,036,124	-	5,036,124	5,496,179
Recognition of deferred contributions	55,299	-	55,299	310,654
Donations, grants and memberships	78,929	-	78,929	25,342
Interest and other income	45,383	-	45,383	38,711
Externally restricted revenue (Schedule 1)	-	20,114	20,114	27,133
Internally restricted revenue (Schedule 1)	-	5,212	5,212	10,772
	<u>5,215,735</u>	<u>25,326</u>	<u>5,241,061</u>	<u>5,908,791</u>
Expenses				
Salaries and wages	3,147,634	-	3,147,634	3,692,822
Employee benefits (Note 11)	823,844	-	823,844	853,170
Building and equipment operation and maintenance	304,583	-	304,583	299,553
Program supplies	178,729	-	178,729	217,233
Contracted services	206,231	-	206,231	205,740
Equipment costs	98,190	-	98,190	144,121
Telecommunications	65,304	-	65,304	68,752
Office expenses	62,872	-	62,872	65,340
Transportation	44,731	-	44,731	53,694
Insurance and property tax	40,004	-	40,004	44,578
Automobile	24,395	-	24,395	22,606
Professional services	16,420	-	16,420	17,057
Recruitment and staff	25,696	-	25,696	10,152
Promotion and volunteer	12,512	-	12,512	7,911
Miscellaneous	-	-	-	747
Externally restricted expenses (Schedule 1)	-	18,249	18,249	26,912
Internally restricted expenses (Schedule 1)	-	853	853	1,490
Loss on sale of capital assets	-	-	-	127,948
Amortization of building and equipment	151,390	-	151,390	133,753
	<u>5,202,535</u>	<u>19,102</u>	<u>5,221,637</u>	<u>5,993,579</u>
Excess (deficiency) of revenue over expenses before other items	13,200	6,224	19,424	(84,788)
Employee benefits extraordinary expense (Notes 11 and 12)	<u>81,271</u>	<u>-</u>	<u>81,271</u>	<u>-</u>
Excess (deficiency) of revenue over expenses for the year	<u>(68,071)</u>	<u>6,224</u>	<u>(61,847)</u>	<u>(84,788)</u>

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S FOUNDATION
Statement of Cash Flows
For the Year Ended 31 March 2015

	2015	2014
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ (68,071)	\$ (94,291)
Designated Funds	6,224	9,503
Items not involving cash		
Amortization of capital assets	151,390	133,753
Loss on sale of capital assets	-	127,948
	89,543	176,913
Changes in non-cash working capital balances		
Accounts receivable	(31,792)	18,225
Prepaid expenses	(17,204)	5,461
Accounts payable	37,207	2,540
Accrued wages payable	(1,442)	(17,262)
Accrued vacation and sick leave payable	(2,871)	(33,230)
Government remittances payable	1,045	(2,264)
Deferred contributions	6,823	(263,976)
	81,309	(113,593)
Investing activities		
Purchase of equipment - net of assets under capital lease	(48,176)	(47,226)
Redemption (purchase) of term deposit	-	(150,000)
Proceeds from sale of capital assets, net	-	536,483
	(48,176)	339,257
Financing activities		
Capital lease - principal repayments	(17,968)	-
Net increase in cash	15,165	225,664
Cash - beginning of year	530,223	304,559
Cash - end of year	\$ 545,388	\$ 530,223

The accompanying notes are an integral part of these financial statements.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

1. Purpose of Society

The Children's Foundation (the "Foundation") is a not-for-profit charitable organization with operations in the Lower Mainland of British Columbia. The Foundation works to improve the lives of children through a range of community services and residential services for families experiencing difficulties with their children.

The Foundation is economically dependent upon government funding in order to carry out its mandate.

The Foundation is registered as a charitable organization under the Income Tax Act, Canada, and is exempt from income tax.

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund Accounting

The Foundation follows the restricted fund method of accounting for revenue and expenses.

(i) Operating Fund

The Operating Fund reports the Foundation's revenue and expenses related to program delivery and administrative activities.

(ii) Capital Fund

The Capital Fund reports the ownership and equity relating to the Foundation's capital assets.

(iii) Designated Funds

The Designated Funds report the revenues, expenses and balances designated for special purposes. By donor request, funds are restricted to the use their names imply or expenditures are at the discretion of the Board of Directors.

(b) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Funds remaining after delivering all services according to contracts will be recognized as revenue. All other restricted contributions are recognized as revenue of the appropriate restricted funds when received or receivable.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

2. Summary of Significant Accounting Policies - continued

(b) Revenue Recognition - continued

Unrestricted contributions, fees and income are recognized as revenue when received or earned in the Operating Fund.

(c) Capital Assets

Purchased capital assets over \$500 are recorded at cost. Assets are expensed if cost is less than \$500. Contributed capital assets are recorded at the estimated fair value at the date of contribution if over \$500. Amortization is provided over the assets' estimated useful lives at the following annual rates:

Building	40 years straight line
Building improvements	20% declining balance
Furniture and equipment	10 years straight line and 30% declining balance
Automotive	30% declining balance
Computers	30% declining balance
Computer software	5 years straight line
Leasehold improvements	10 years straight line
Server under capital lease	3 years straight line

In the year of acquisition, amortization is provided for one-half of a year with the exception of assets under capital lease.

(d) Donated Goods and Services

The Foundation does not recognize the fair value of donated goods and services. Volunteers contribute a significant amount of time every year to assist the Foundation in carrying out its programs and services. Due to the difficulty of determining their fair market value, contributed services are not recognized in these financial statements.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items requiring the use of management estimates include amortization periods and rates related to capital assets and recognition of accrued liabilities. Actual results could differ from those reported.

(f) Cash and Cash Equivalents

The Foundation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

2. Summary of Significant Accounting Policies - continued

(g) Pension Plan

The Foundation is a member of the British Columbia Municipal Pension Plan (the "Plan"). The Plan is a contributory defined benefit pension plan providing a pension on retirement based on various factors, including age at retirement, length of service and earnings. As the assets and liabilities of the Plan are not segregated by member, the Plan is accounted for as a defined contribution plan and any contributions of the Foundation to the Plan are expensed as incurred.

(h) Financial Instruments

i. Measurement of Financial Instruments

The Foundation initially measures its financial assets and liabilities at fair value and subsequently measures all of 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 the statement of operations.

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

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and capital lease obligation.

ii. 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 the statement of operations. 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 the statement of operations.

iii. Transaction Costs

The Foundation recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

3. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2015	2014
Vancouver buildings	\$ 3,295,210	\$ 1,434,704	\$ 1,860,506	\$ 1,942,886
Building improvements	33,326	27,036	6,290	7,863
Furniture, fixtures and equipment	165,053	120,056	44,997	59,927
Computer equipment	222,612	161,189	61,423	38,593
Computer software	26,144	21,837	4,307	9,536
Automotive	117,153	107,377	9,776	13,965
Leasehold improvements	33,490	10,126	23,364	22,398
Server under capital lease	56,128	18,709	37,419	-
	<u>\$ 3,949,116</u>	<u>\$ 1,901,034</u>	<u>\$ 2,048,082</u>	<u>\$ 2,095,168</u>

The Vancouver buildings are located on land leased from the City of Vancouver pursuant to an agreement dated 10 October 1996. Rent of \$1 was paid and the lease term is for twenty five years with two ten year options to renew.

The Foundation tests long-lived assets for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value and the loss is recorded in the period when it is determined. The Foundation assesses fair value based on discounted future cash flows. No impairment losses were determined by management to be necessary for the year.

4. Deferred Contributions

Deferred contributions represent funding received by the Foundation that is related to program and service delivery expenses of future periods.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

5. Capital Lease Obligation

The following are the future minimum lease payments under the capital lease for the server:

2016	\$	19,886
2017		<u>19,879</u>
Total future minimum lease payments		39,765
Less: amount representing interest		<u>1,605</u>
Present value of minimum net lease payments		38,160
Less: current portion		<u>18,700</u>
	\$	<u>19,460</u>

6. Interfund Transfers

The Foundation transfers funds from the Operating Fund and Designated Funds to the Capital Fund to finance capital asset acquisitions and from the Operating Fund to the Designated Funds to finance special purpose funds.

7. Commitments

The Foundation has entered into various operating leases for equipment, automobiles, service contracts and its Surrey office.

Future minimum operating lease and service contract payments are as follows:

2016	\$	369,211
2017		314,893
2018		158,368
2019		797
2020		<u>602</u>
	\$	<u>843,871</u>

8. Contingent Liabilities

The Foundation entered into a Human Resource Facility agreement with the Ministry of Children and Family Development. The agreement amortizes the capital assistance funding received from the Province for the construction of a human resource facility. The funding in the amount of \$1,400,000 will be amortized over 25 years, ending in 2022 ("Capital Assistance"). The agreement requires the Foundation to meet all its obligations to operate the facility for a human resource purpose. The Foundation will only have to repay the unamortized portion of the Capital Assistance if it defaults in its obligations under the agreement or elects to discontinue the agreement.

9. Financial Instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at the statement of financial position date, 31 March 2015.

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and capital lease obligation.

(b) 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 Foundation's main credit risk relates to its accounts receivable. The Foundation provides credit to its clients in the normal course of the operations.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

(d) 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 Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Foundation does not use financial instruments to reduce its risk exposure.

(e) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its term deposit.

10. Accrued Vacation and Sick Leave Payable

Accrued vacation and sick leave payable relating to employees consists of a provision for sick leave and vacation entitlement. The Foundation has both union and non-union employees. All employees are entitled to receive a certain number of sick leave and vacation days per year. The vacation entitlement depends on the employee's number of years of service. The union agreement sets a maximum accrued vacation entitlement of 10 days per year per employee and by policy, the Foundation does not allow more than 10 days per year per employee on average to be accrued.

The Foundation accrues up to 10 sick leave days per employee as this is the average sick leave that is taken per employee annually. Sick days are paid out at 80% of the normal wage for union employees and 100% for non-union employees.

Accrued vacation entitlement is to be paid out upon termination of employment, but accrued sick leave entitlement is not.

11. Pension Plan

During the year ended 31 March 2015 the Foundation adopted Section 3462 *Employee Future Benefits* and Section 3463 *Reporting Employee Future Benefits by Not-for-Profit Organizations* as set out in Part II and Part III, respectively, of the Chartered Professional Accountants Canada Handbook on a retroactive basis. The adoption of the new provisions had no impact on the previously reported assets, liabilities and fund balances of the comparative statement of financial position, statements of operations and changes in fund balances and the cash flow statement. The presentation and disclosures provided in these financial statements reflect the requirements of the new standards.

The Foundation is a member of the multi-employer British Columbia Municipal Pension Plan which is open to eligible employees of a municipality. The Municipal Pension Plan is a contributory defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service. The Foundation contributes 10.18% and the employees contribute 8.5% on their first \$52,500 of their salaries to the plan and 10.00% of salary in excess of \$52,500. Effective 1 July 2015, the Foundation's rate will decrease to 9.71% and the employee contribution rate will remain the same.

An actuarial valuation of the Municipal Pension Plan's assets and the pension liabilities is performed at least every three years. The most recent full actuarial valuation for funding purposes available was prepared at 31 December 2012. The valuation disclosed an unfunded actuarial liability for basic pension benefits of \$1,370 million in the plan.

Pension plan expense for the year ended 31 March 2015 amounted to \$296,595 (2014 - \$270,095). Included in the pension plan expense for 2015 is \$20,552 of past pension costs for a former employee of the Foundation.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2015

12. Subsequent Event

The Foundation terminated its group insurance plan with HealthCare Benefit Trust (the "Trust") effective midnight 30 April 2011. Under the provisions of the trust agreement, the Foundation is required to pay its share of the unfunded liability which is estimated at \$202,396 as determined by the Trust's actuaries.

The Community Social Services Employers' Association ("CSSEA"), representing the Foundation and other similar agencies, has been in negotiations with the government to request that the government take responsibility for and pay off the current HealthCare Benefit Trust unfunded liability. This was disclosed as a contingent liability in prior years' financial statements as the outcome of the negotiations was unknown.

Subsequent to year end, the CSSEA reached an agreement in principle to resolve the exit levy claims made by the Trust. The exact terms of the final written settlement agreement have not been finalized. The Foundation has accrued a settlement amount of \$60,719 in these financial statements.

THE CHILDREN'S FOUNDATION
Schedule 1 - Designated Funds
For the Year Ended 31 March 2015

	Balance 31 March 2014	Receipts for the Year	Expenses for the Year	Transfers	Balance 31 March 2015
	\$	\$	\$	\$	\$
Externally restricted					
Elda Lindenfield - staff training and equipment	1,806	782	-	-	2,588
Fun and Functional Fund	10,550	-	-	-	10,550
Litigation Fund	57,560	411	-	-	57,971
Therapeutic Riding Program	11,803	-	1,978	-	9,825
Differential Fund	13,076	17,921	16,271	-	14,726
Alderwood Program Funds	1,927	1,000	-	-	2,927
	<u>96,722</u>	<u>20,114</u>	<u>18,249</u>	<u>-</u>	<u>98,587</u>
Internally restricted					
Directors' Fund	41,534	3,780	30	-	45,284
Building Renovation Fund	202,206	1,432	-	-	203,638
Staff development	11,311	-	823	-	10,488
	<u>255,051</u>	<u>5,212</u>	<u>853</u>	<u>-</u>	<u>259,410</u>
	<u>351,773</u>	<u>25,326</u>	<u>19,102</u>	<u>-</u>	<u>357,997</u>