

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2007

THE CHILDREN'S FOUNDATION

Financial Statements

For the Year Ended 31 March 2007

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AUDITORS' REPORT

To the Members of,
The Children's Foundation

We have audited the statement of financial position of The Children's Foundation as at 31 March 2007 and the statements of operations for the operating fund, capital fund and designated funds and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 March 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Rolfe, Benson

CHARTERED ACCOUNTANTS

Vancouver, Canada
31 May 2007



THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2007

	Operating Fund	Capital Fund	Designated Funds	Total 2007	Total 2006
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	1,676,799	-	71,942	1,748,741	828,697
Short-term investments	-	-	-	-	522,844
Accounts receivable	209,555	-	-	209,555	320,597
Due from (to) other funds	108,697	(108,591)	(106)	-	-
Prepaid expenses	36,047	-	-	36,047	38,845
	2,031,098	(108,591)	71,836	1,994,343	1,710,983
Building and equipment (Note 3)	-	2,714,973	-	2,714,973	2,799,535
	2,031,098	2,606,382	71,836	4,709,316	4,510,518
Liabilities					
Current					
Accounts payable	260,759	-	-	260,759	94,593
Accrued wages and deductions	144,943	-	-	144,943	153,103
Accrued vacation payable (Note 11)	316,814	-	-	316,814	282,312
Deferred contributions (Note 4)	316,698	-	-	316,698	313,443
Long-term debt - current portion (Note 5)	-	96,937	-	96,937	5,052
	1,039,214	96,937	-	1,136,151	848,503
Long-term debt (Note 5)	-	184,326	-	184,326	374,542
	1,039,214	281,263	-	1,320,477	1,223,045
Commitments (Note 8)					
Litigation and contingent liabilities liabilities (Note 9)					
Fund balances					
Restricted	300,000	-	71,836	371,836	215,497
Unrestricted	691,884	-	-	691,884	662,295
Invested in capital assets	-	2,325,119	-	2,325,119	2,409,681
	991,884	2,325,119	71,836	3,388,839	3,287,473
	2,031,098	2,606,382	71,836	4,709,316	4,510,518

APPROVED BY THE DIRECTORS:

R. Nicholas Demme Director

[Signature] Director

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

THE CHILDREN'S FOUNDATION
Statement of Operations and Fund Balance for the Operating Fund
For the Year Ended 31 March 2007

	2007	2006
Revenue		
Provincial government funding	\$ 5,605,492	\$ 4,651,741
Donations, grants and memberships	57,594	102,593
Conference income	124,354	-
Interest and other income	80,386	43,701
Rental income	-	2,323
	<u>5,867,826</u>	<u>4,800,358</u>
Expenses		
Salaries and wages	3,839,075	3,137,978
Employee benefits (Note 12)	590,288	514,363
Building and equipment operation and maintenance	289,398	211,042
Contracted services	208,878	137,501
Conference expenses	121,249	-
Program supplies	104,611	80,499
Promotion and volunteer	64,693	11,510
Transportation	60,120	48,283
Professional services	56,679	18,372
Office expenses	55,747	45,573
Equipment costs	52,775	45,524
Telecommunications	48,579	38,344
Recruitment and staff	48,091	87,834
Automobile	30,126	34,056
Insurance	27,067	26,990
Grant expenses	12,519	30,010
Client management system	825	2,623
Workshops	-	5,169
Fundraising expenses	-	395
	<u>5,610,720</u>	<u>4,476,066</u>
Excess of revenue over expenses	257,106	324,292
Operating Fund balance - beginning of year	812,295	542,447
Transfer to Capital Fund (Note 7)	(67,601)	(43,750)
Transfer to Designated Funds (Note 7)	(9,916)	(10,694)
	<u>991,884</u>	<u>812,295</u>
Operating Fund balance - end of year	\$ 991,884	\$ 812,295

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

THE CHILDREN'S FOUNDATION
Statement of Operations and Changes in Fund Balance for the Capital Fund
For the Year Ended 31 March 2007

	2007	2006
Revenue	\$ -	\$ -
Expenses		
Amortization of building and equipment	152,163	142,753
Excess (deficiency) of expenses over revenue	(152,163)	(142,753)
Capital Fund balance - beginning of year	2,409,681	2,508,684
Transfer from Operating Fund (Note 7)	67,601	43,750
Capital Fund balance - end of year	\$ 2,325,119	\$ 2,409,681

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

THE CHILDREN'S FOUNDATION
Statement of Operations for the Designated Funds
For the Year Ended 31 March 2007

	Balance 31 March 2006	Receipts for the Year	Expenses for the Year	Transfers from Operating Fund	Balance 31 March 2007
	\$	\$	\$	\$	\$
Christmas Fund	6,920	1,340	343	-	7,917
Elda Lindenfield - staff training and equipment	4,029	579	2,900	-	1,708
Litigation Fund	52,276	1,369	-	-	53,645
Differential Fund	1,772	171	4,821	9,916	7,038
Director's Fund	500	1,028	-	-	1,528
	65,497	4,487	8,064	9,916	71,836

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 2007

	2007	2006
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ 257,106	\$ 324,292
Capital Fund	(152,163)	(142,753)
Designated Funds	(3,577)	(2,161)
Amortization of capital assets	152,163	142,753
Changes in non-cash working capital balances	306,348	973
Increase in deferred contributions	3,255	182,157
	563,132	505,261
Investing activities		
Redemption of short-term investments	522,844	-
Purchase of investments	-	(13,848)
Purchase of equipment	(67,601)	(43,750)
	455,243	(57,598)
Financing activities		
Loan proceeds	-	15,518
Long-term debt repayments	(98,331)	(25,777)
	(98,331)	(10,259)
Net increase in cash	920,044	437,404
Cash - beginning of year	828,697	391,293
Cash - end of year	\$ 1,748,741	\$ 828,697

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 2007

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 provides a range of community services and residential services for families experiencing difficulties with their children. In addition, the Foundation provides family counseling, education and individual treatment planning.

The Provincial Government has advised the Foundation of its intention to revise current funding commitments. As a result, the Foundation is undergoing a reorganization of its operating mandate and is renegotiating all of its government contracts. 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

(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 and related revenues and expenses.

(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. All other restricted contributions are recognized as revenue of the appropriate restricted funds.

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

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2007

2. Summary of Significant Accounting Policies - Continued

(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 basis
Furniture and equipment	10 years straight line and 30% declining balance
Leasehold improvements	Term of the lease

In the year of acquisition, amortization is provided for one-half of a year.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the balance sheet. Actual results could differ from those estimates.

3. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2007	2006
Vancouver buildings	\$ 3,295,210	\$ 775,662	\$ 2,519,548	\$ 2,601,928
Furniture and equipment	453,757	299,612	154,145	176,668
Automotive	53,077	11,797	41,280	12,786
	<u>3,802,044</u>	<u>1,087,071</u>	<u>2,714,973</u>	<u>2,791,382</u>
Leasehold improvements	64,181	64,181	-	8,153
	<u>\$ 3,866,225</u>	<u>\$ 1,151,252</u>	<u>\$ 2,714,973</u>	<u>\$ 2,799,535</u>

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 Company assesses fair value based on discounted future cash flows. No impairment losses were determined by management to be necessary for the year.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2007

4. Deferred Contributions

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

5. Long-Term Debt

	2007	2006
Province of British Columbia - unsecured, non-interest bearing to be repaid in three equal annual installments	\$ 274,316	\$ 367,595
Chrysler Financial Canada - vehicle loan with interest at 8.29%, repayable monthly at \$489.79	6,947	11,999
	281,263	379,594
Less: current portion	96,937	5,052
	\$ 184,326	\$ 374,542

6. Line of Credit

The Foundation has an operating line of credit up to \$150,000. The interest rate is prime plus 1%. The balance at year end was \$Nil.

7. Interfund Transfers

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

8. 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:

2008	\$ 335,891
2009	308,097
2010	298,973
2011	100,253
2012	296
	\$ 1,043,510

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2007

9. Litigation and Contingent Liabilities

The Foundation has been found vicariously liable for the 1968 to 1971 actions of a former employee by the B.C. Supreme Court and on June 18, 1999 the Supreme Court of Canada confirmed the decision. The majority of these claims were settled and funded directly by insurance coverage and the Provincial Government.

The Foundation has also been named defendant in several other lawsuits, which may or may not be covered by insurance. These potential claims are for indeterminable amounts.

No provision has been made in these financial statements for these matters except for the associated legal costs incurred to date.

10. Financial Instruments

(a) Fair Value

The Foundation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. The fair values of these instruments approximate their carrying values due to their short maturities, except for long-term debt, the fair value of which is not determinable.

(b) Financial Risk

It is management's opinion that the Foundation is not exposed to significant credit, interest or foreign exchange risk arising from its financial instruments.

11. Accrued Vacation Payable

Accrued vacation 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, but the Foundation's policy is to set no limits on the accrued vacation entitlements.

The Foundation accrues up to 10 sick leave days per employee as this is the average sick leave that is taken per employee annually. The Foundation has insurance that limits their sick leave liability to 29 days per union employee. 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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2007

12. Pension Plan

The Foundation has a Registered Pension Plan which is open to all permanent employees. The Plan is a defined contribution plan. The Foundation makes contributions to the Plan to match employee contributions, up to maximums that depend on employee age and earnings. Employees may also make additional un-matched contributions to the plan by way of payroll deductions.

The pension benefits in the Plan vest to employees after two years' service with the Foundation.

The Foundation also makes matching contributions to certain qualified employees' RRSP accounts, based on 3% of earnings. The total pension expense recorded by the Foundation was \$89,831 (2006 - \$76,617).