

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2008

THE CHILDREN'S FOUNDATION
Financial Statements
For the Year Ended 31 March 2008

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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 2008 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 2008 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

6 June 2008



THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2008

	Operating Fund	Capital Fund	Designated Funds	Total 2008	Total 2007
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	1,250,837	-	571,199	1,822,036	1,748,741
Accounts receivable	99,919	-	-	99,919	209,555
Due from (to) other funds	205,527	(205,527)	-	-	-
Prepaid expenses	35,314	-	-	35,314	36,047
	<u>1,591,597</u>	<u>(205,527)</u>	<u>571,199</u>	<u>1,957,269</u>	<u>1,994,343</u>
Building and equipment (Note 4)	-	2,652,889	-	2,652,889	2,714,973
	<u>1,591,597</u>	<u>2,447,362</u>	<u>571,199</u>	<u>4,610,158</u>	<u>4,709,316</u>
Liabilities					
Current					
Accounts payable	158,302	-	-	158,302	260,759
Accrued wages and deductions	167,209	-	-	167,209	144,943
Accrued vacation and sick leave payable (Note 12)	366,170	-	-	366,170	316,814
Deferred contributions (Note 5)	396,274	-	-	396,274	316,698
Long-term debt - current portion (Note 6)	-	92,888	-	92,888	96,937
	<u>1,087,955</u>	<u>92,888</u>	<u>-</u>	<u>1,180,843</u>	<u>1,136,151</u>
Long-term debt (Note 6)	-	91,439	-	91,439	184,326
	<u>1,087,955</u>	<u>184,327</u>	<u>-</u>	<u>1,272,282</u>	<u>1,320,477</u>
Commitments (Note 9)					
Litigation and contingent liabilities (Note 10)					
Fund balances					
Externally restricted	-	-	57,426	57,426	63,270
Internally restricted	500,000	-	513,773	1,013,773	308,566
Unrestricted	3,642	-	-	3,642	691,884
Invested in capital assets	-	2,263,035	-	2,263,035	2,325,119
	<u>503,642</u>	<u>2,263,035</u>	<u>571,199</u>	<u>3,337,876</u>	<u>3,388,839</u>
	<u>1,591,597</u>	<u>2,447,362</u>	<u>571,199</u>	<u>4,610,158</u>	<u>4,709,316</u>

APPROVED BY THE DIRECTORS:

Director

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 2008

	2008	2007
Revenue		
Provincial government funding	\$ 5,873,019	\$ 5,605,492
Donations, grants and memberships	37,294	57,594
Interest and other income	98,172	80,386
Conference income	-	124,354
	<u>6,008,485</u>	<u>5,867,826</u>
Expenses		
Salaries and wages	3,909,668	3,839,075
Employee benefits (Note 13)	644,604	590,288
Contracted services	454,948	208,878
Building and equipment operation and maintenance	330,425	289,398
Program supplies	121,278	104,611
Transportation	67,403	60,120
Recruitment and staff	60,667	48,091
Telecommunications	59,643	48,579
Equipment costs	57,727	52,775
Office expenses	55,876	55,747
Promotion and volunteer	40,885	64,693
Professional services	36,377	56,679
Insurance	28,873	27,067
Automobile	26,281	30,951
Conference expenses	3,072	121,249
Grant expenses	-	12,519
	<u>5,897,727</u>	<u>5,610,720</u>
Excess of revenue over expenses	110,758	257,106
Operating Fund balance - beginning of year	991,884	812,295
Transfer to Capital Fund (Note 8)	(98,254)	(67,601)
Transfer to Designated Funds (Note 8)	(500,746)	(9,916)
Operating Fund balance - end of year	\$ 503,642	\$ 991,884

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 2008

	2008	2007
Revenue	\$ -	\$ -
Expenses		
Amortization of building and equipment	160,338	152,163
Excess (deficiency) of expenses over revenue	(160,338)	(152,163)
Capital Fund balance - beginning of year	2,325,119	2,409,681
Transfer from Operating Fund (Note 8)	98,254	67,601
Capital Fund balance - end of year	\$ 2,263,035	\$ 2,325,119

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

THE CHILDREN'S FOUNDATION
Statement of Operations and Changes in Fund Balances for the Designated Funds
For the Year Ended 31 March 2008

	Balance 31 March 2007	Receipts for the Year	Expenses for the Year	Transfers from (to) Designated Funds	Transfers from Operating Fund	Balance 31 March 2008
	\$	\$	\$	\$	\$	\$
Externally restricted						
Christmas Fund	7,917	-	-	(7,917)	-	-
Elda Lindenfield - staff training and equipment	1,708	604	-	-	-	2,312
Litigation Fund	53,645	2,558	1,089	-	-	55,114
	<u>63,270</u>	<u>3,162</u>	<u>1,089</u>	<u>(7,917)</u>	<u>-</u>	<u>57,426</u>
Internally restricted						
Differential Fund	7,038	3,748	10,706	7,917	746	8,743
Directors' Fund	1,528	3,502	-	-	-	5,030
Building Renovation Fund	-	-	-	-	300,000	300,000
Autism Spectrum Disorder Project Fund	-	-	-	-	200,000	200,000
	<u>8,566</u>	<u>7,250</u>	<u>10,706</u>	<u>7,917</u>	<u>500,746</u>	<u>513,773</u>
	<u>71,836</u>	<u>10,412</u>	<u>11,795</u>	<u>-</u>	<u>500,746</u>	<u>571,199</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 2008

	2008	2007
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ 110,758	\$ 257,106
Capital Fund	(160,338)	(152,163)
Designated Funds	(1,383)	(3,577)
Amortization of capital assets	160,338	152,163
Changes in non-cash working capital	79,534	306,348
Increase in deferred contributions	79,576	3,255
	268,485	563,132
Investing activities		
Redemption of short-term investments	-	522,844
Purchase of equipment	(98,254)	(67,601)
	(98,254)	455,243
Financing activities		
Loan repayments	(91,438)	(93,279)
Lease repayments	(5,498)	(5,052)
	(96,936)	(98,331)
Net increase in cash	73,295	920,044
Cash - beginning of year	1,748,741	828,697
Cash - end of year	\$ 1,822,036	\$ 1,748,741

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 2008

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 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. Change in Accounting Policy

On 1 April 2007, the Foundation adopted CICA Handbook Section 3855, "Financial Instruments - recognition and measurement," Section 3862, "Financial Instruments - disclosures," Section 3863, and "Financial Instruments - presentation." These standards provide recommendations on recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

The adoption by the Foundation of these new standards on financial instruments has resulted in changes in accounting for financial instruments. The main changes in accounting for financial instruments resulting from the adoption of these accounting standards are described below.

With the adoption of these new standards, the Foundation classified its cash, restricted cash, accounts receivable, accounts payable and accrued liabilities as financial assets and liabilities held for trading and long-term debt as other financial liabilities. No adjustments were required to be made to the carrying value of these financial instruments as a result of these new standards.

3. 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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2008

3. Summary of Significant Accounting Policies - continued

(a) Fund Accounting - continued

(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.

(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
Building improvements	20% declining balance
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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2008

4. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2008	2007
Vancouver buildings	\$ 3,295,210	\$ 858,042	\$ 2,437,168	\$ 2,519,548
Furniture and equipment	518,686	361,854	156,832	154,145
Automotive	53,077	24,181	28,896	41,280
Building improvements	33,326	3,333	29,993	-
	<u>\$ 3,900,299</u>	<u>\$ 1,247,410</u>	<u>\$ 2,652,889</u>	<u>\$ 2,714,973</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.

5. Deferred Contributions

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

6. Long-Term Debt

	2008	2007
Province of British Columbia - secured, non-interest bearing to be repaid in three equal annual installments	\$ 182,878	\$ 274,316
Chrysler Financial Canada - vehicle loan with interest at 8.29%, repayable monthly at \$489.79	1,449	6,947
	<u>184,327</u>	<u>281,263</u>
Less: current portion	<u>92,888</u>	<u>96,937</u>
	<u>\$ 91,439</u>	<u>\$ 184,326</u>

7. 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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2008

8. 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.

9. 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:

2009	\$ 337,327
2010	305,872
2011	303,318
2012	291,094
2013	<u>144,519</u>
	<u>\$ 1,382,130</u>

10. 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.

11. Financial Instruments

(a) Fair Value

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities:

- (i) Cash, restricted cash, accounts receivable, accounts payable and accrued liabilities are classified as held for trading and measured at their carrying amounts since it is comparable to their fair value due to the approaching maturity of these financial instruments.
- (ii) Long term debt is carried at amortized cost.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2008

11. Financial Instruments - continued

(b) Financial Risk

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial statements.

12. 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, 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.

13. 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 \$91,879 (2007 - \$89,831).