

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2009

THE CHILDREN'S FOUNDATION

Financial Statements

For the Year Ended 31 March 2009

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ROLFE, BENSON

CHARTERED ACCOUNTANTS*

1400 – 900 West Hastings Street
Vancouver, B.C. V6C 1E3
Telephone: 604-684-1101

Fax: 604-684-7937

E-mail: admin@rolfebenson.com

*a partnership of incorporated professionals

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 2009 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 2009 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
27 May 2009



THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2009

	Operating Fund	Capital Fund	Designated Funds	Total 2009	Total 2008
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	610,253	-	547,289	1,157,542	1,822,036
Term deposit (restricted)	500,000	-	-	500,000	-
Accounts receivable	72,619	-	-	72,619	99,919
Due from (to) other funds	385,212	(385,212)	-	-	-
Prepaid expenses	125,455	-	-	125,455	35,314
	<u>1,693,539</u>	<u>(385,212)</u>	<u>547,289</u>	<u>1,855,616</u>	<u>1,957,269</u>
Building and equipment (Note 3)	-	2,578,418	-	2,578,418	2,652,889
	<u>1,693,539</u>	<u>2,193,206</u>	<u>547,289</u>	<u>4,434,034</u>	<u>4,610,158</u>
Liabilities					
Current					
Accounts payable	176,086	-	-	176,086	158,302
Accrued wages and deductions	152,406	-	-	152,406	167,209
Accrued vacation and sick leave payable (Note 10)	406,111	-	-	406,111	366,170
Deferred contributions (Note 4)	543,270	-	-	543,270	396,274
Long-term debt - current portion (Note 5)	-	-	-	-	92,888
	<u>1,277,873</u>	<u>-</u>	<u>-</u>	<u>1,277,873</u>	<u>1,180,843</u>
Long-term debt (Note 5)	-	-	-	-	91,439
	<u>1,277,873</u>	<u>-</u>	<u>-</u>	<u>1,277,873</u>	<u>1,272,282</u>
Commitments (Note 7)					
Litigation and contingent liabilities (Note 8)					
Fund balances					
Externally restricted	-	-	65,282	65,282	57,426
Internally restricted	500,000	-	482,007	982,007	1,013,773
Unrestricted	(84,334)	-	-	(84,334)	3,642
Invested in capital assets	-	2,193,206	-	2,193,206	2,263,035
	<u>415,666</u>	<u>2,193,206</u>	<u>547,289</u>	<u>3,156,161</u>	<u>3,337,876</u>
	<u>1,693,539</u>	<u>2,193,206</u>	<u>547,289</u>	<u>4,434,034</u>	<u>4,610,158</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 Changes in Fund Balance for the Capital Fund
For the Year Ended 31 March 2009

	2009	2008
Revenue	\$ -	\$ -
Expenses		
Amortization of building and equipment	176,199	160,338
Excess (deficiency) of expenses over revenue	(176,199)	(160,338)
Capital Fund balance - beginning of year	2,263,035	2,325,119
Transfer from Operating Fund (Note 6)	106,370	98,254
Capital Fund balance - end of year	\$ 2,193,206	\$ 2,263,035

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 2009

	2009	2008
Revenue		
Provincial government funding	\$ 6,253,101	\$ 5,873,019
Donations, grants and memberships	19,806	37,294
Interest and other income	66,322	98,172
	6,339,229	6,008,485
Expenses		
Salaries and wages	4,054,250	3,909,668
Employee benefits (Note 11)	705,350	644,604
Contracted services	573,312	454,948
Building and equipment operation and maintenance	367,550	330,425
Program supplies	186,557	121,278
Office expenses	81,513	55,876
Equipment costs	68,351	57,727
Transportation	67,074	67,403
Telecommunications	57,976	59,643
Recruitment and staff	56,439	60,667
Insurance	31,549	28,873
Automobile	28,287	26,281
Promotion and volunteer	18,422	40,885
Professional services	16,647	36,377
Miscellaneous	1,716	3,072
	6,314,993	5,897,727
Excess of revenue over expenses	24,236	110,758
Operating Fund balance - beginning of year	503,642	991,884
Transfer to Capital Fund (Note 6)	(106,370)	(98,254)
Transfer to Designated Funds (Note 6)	(5,842)	(500,746)
	\$ 415,666	\$ 503,642
Operating Fund balance - end of year	\$ 415,666	\$ 503,642

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 2009

	Balance 31 March 2008	Receipts for the Year	Expenses for the Year	Transfers from (to) Designated Funds	Transfers from Operating Fund	Balance 31 March 2009
	\$	\$	\$	\$	\$	\$
Externally restricted						
Autism Fund	-	18,109	(23,951)	-	5,842	-
Elda Lindenfield - staff training and equipment	2,312	583	-	-	-	2,895
Litigation Fund	55,114	1,191	(303)	-	-	56,002
Therapeutic Riding Program Fund	-	6,385	-	-	-	6,385
	<u>57,426</u>	<u>26,268</u>	<u>(24,254)</u>	<u>-</u>	<u>5,842</u>	<u>65,282</u>
Internally restricted						
Differential Fund	8,743	14,703	(6,862)	-	-	16,584
Directors' Fund	5,030	3,896	(1,295)	-	-	7,631
Building Renovation Fund	300,000	16,605	(8,741)	-	-	307,864
Autism Spectrum Disorder Project Fund	200,000	4,100	(54,172)	-	-	149,928
	<u>513,773</u>	<u>39,304</u>	<u>(71,070)</u>	<u>-</u>	<u>-</u>	<u>482,007</u>
	<u>571,199</u>	<u>65,572</u>	<u>(95,324)</u>	<u>-</u>	<u>5,842</u>	<u>547,289</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 2009

	2009	2008
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ 24,236	\$ 110,758
Capital Fund	(176,199)	(160,338)
Designated Funds	(29,752)	(1,383)
Amortization of capital assets	176,199	160,338
Changes in non-cash working capital balances	(19,919)	79,534
Increase in deferred contributions	146,996	79,576
	121,561	268,485
Investing activities		
Redemption of short-term investments	6,266	-
Purchase of equipment	(107,994)	(98,254)
Purchase of term deposit	(500,000)	-
	(601,728)	(98,254)
Financing activities		
Loan repayments	(183,178)	(91,438)
Lease repayments	(1,149)	(5,498)
	(184,327)	(96,936)
Net increase (decrease) in cash	(664,494)	73,295
Cash - beginning of year	1,822,036	1,748,741
Cash - end of year	\$ 1,157,542	\$ 1,822,036

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 2009

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. 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 2009

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
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.

(e) Future Changes in Accounting Policies

(i) Capital Disclosures

In October 2006, the CICA issued Section 1535 of the CICA Handbook "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for annual financial statements relating to fiscal years beginning on or after 1 August 2008. The Foundation does not expect that the adoption of this standard will have a significant impact on its financial statement disclosures.

(ii) Financial Instruments - Disclosure and Financial Instruments - Presentation

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments -Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments between liabilities and equity. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 October 2008. The Foundation is currently evaluating the impact of these new standards.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2009

2. Summary of Significant Accounting Policies - continued

(e) Future Changes in Accounting Policies - continued

(iii) Not-for-Profit Organizations

In September 2008, the CICA amended a number of standards in Section 4400 and issued new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments include clarifying the recognizing of revenues and expenses on a gross basis when the not-for-profit organization acts as a principal in the transactions and the treatment and disclosure of internally and externally restricted net assets. The new section requires not-for-profit organizations that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 January 2009. The Foundation is currently evaluating the impact of these new standards.

3. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2009	2008
Vancouver buildings	\$ 3,295,210	\$ 940,423	\$ 2,354,787	\$ 2,437,168
Building improvements	33,326	9,331	23,995	29,993
Furniture and equipment	547,562	431,018	116,544	156,832
Automotive	117,153	34,061	83,092	28,896
	<u>\$ 3,993,251</u>	<u>\$ 1,414,833</u>	<u>\$ 2,578,418</u>	<u>\$ 2,652,889</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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2009

4. Deferred Contributions

Deferred contributions represents funding received by the Foundation that is related to program and service delivery expenses of future periods. Also included in this balance are surpluses from the current and prior years. Surpluses generated may either be carried forward to fund additional program and service delivery expenses of future periods or may be requested to be repaid to the funder. As at year end, no amount has been formally requested to be repaid.

5. Long-Term Debt

	2009	2008
Province of British Columbia - secured, non-interest bearing to be repaid in three equal annual installments	\$ -	\$ 182,878
Chrysler Financial Canada - vehicle loan with interest at 8.29%, repayable monthly at \$489.79	-	1,449
	-	184,327
Less: current portion	-	92,888
	\$ -	\$ 91,439

The loans were repaid in the year.

6. 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.

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:

2010	\$ 356,005
2011	320,079
2012	305,068
2013	152,094
2014	516
	\$ 1,133,762

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2009

8. 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.

9. 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 is classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities 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.

(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.

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. 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 2009

11. 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 total pension expense recorded by the Foundation was \$101,272 (2008 - \$91,879).

12. Subsequent Event

Subsequent to year end, the Foundation purchased a property located at 11467 Roxburgh Road, Surrey, BC for \$450,000. The date of possession was 10 May 2009.