

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2010

THE CHILDREN'S FOUNDATION
Financial Statements
for the financial year ended 31 March 2010

CONTENTS

1	Statement of Financial Position
2	Statement of Financial Activities
3	Statement of Financial Activities - Fund Balances
4	Statement of Financial Activities - Income and Expenditure
5	Statement of Financial Activities - Income and Expenditure - Income
6	Statement of Financial Activities - Income and Expenditure - Expenditure
7	Statement of Financial Activities - Income and Expenditure - Income and Expenditure
8	Statement of Financial Activities - Income and Expenditure - Income and Expenditure

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Financial Statements

For the Year Ended 31 March 2010

Contents

Auditors' Report	
Statement of Financial Position	3
Statement of Operations and Fund Balance for the Operating Fund	4
Statement of Operations and Fund Balance for the Capital Fund	5
Statement of Operations and Fund Balance for the Designated Funds	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13





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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 2010 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 2010 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 LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
3 June 2010



THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2010

	Operating Fund	Capital Fund	Designated Funds	Total 2010	Total 2009
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	642,349	-	428,461	1,070,810	1,157,542
Term deposit (restricted)	500,000	-	-	500,000	500,000
Accounts receivable	62,874	-	-	62,874	72,619
Prepaid expenses	64,483	-	-	64,483	125,455
	1,269,706	-	428,461	1,698,167	1,855,616
Building and equipment (Note 4)	-	2,448,235	-	2,448,235	2,578,418
	1,269,706	2,448,235	428,461	4,146,402	4,434,034
Liabilities					
Current					
Accounts payable	216,800	-	-	216,800	176,086
Accrued wages and deductions	90,803	-	-	90,803	152,406
Accrued vacation and sick leave payable (Note 10)	365,926	-	-	365,926	406,111
Deferred contributions (Note 5)	590,225	-	-	590,225	543,270
	1,263,754	-	-	1,263,754	1,277,873
Commitments (Note 7)					
Contingent liability (Note 8)					
Fund balances					
Externally restricted	-	-	84,530	84,530	65,282
Internally restricted	500,000	-	343,931	843,931	982,007
Unrestricted	(494,048)	-	-	(494,048)	(84,334)
Invested in capital assets	-	2,448,235	-	2,448,235	2,193,206
	5,952	2,448,235	428,461	2,882,648	3,156,161
	1,269,706	2,448,235	428,461	4,146,402	4,434,034

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 2010

	2010	2009
Revenue		
Provincial government funding	\$ 6,855,693	\$ 6,253,101
Donations, grants and memberships	28,606	19,806
Interest and other income	33,311	66,322
	<u>6,917,610</u>	<u>6,339,229</u>
Expenses		
Salaries and wages	4,487,356	4,054,250
Employee benefits (Note 11)	870,658	705,350
Contracted services	523,554	573,312
Building and equipment operation and maintenance	332,638	367,550
Program supplies	230,397	186,557
Office expenses	66,885	81,513
Equipment costs	74,230	68,351
Transportation	57,966	67,074
Telecommunications	66,940	57,976
Recruitment and staff	40,528	56,439
Insurance	35,025	31,549
Automobile	36,413	28,287
Promotion and volunteer	28,266	18,422
Professional services	24,371	16,647
Miscellaneous	21,942	1,716
	<u>6,897,169</u>	<u>6,314,993</u>
Excess of revenue over expenses	20,441	24,236
Unrestricted Operating Fund balance - beginning of year	(84,334)	3,642
Transfer to Capital Fund (Note 6)	(430,155)	(106,370)
Transfer to Designated Funds (Note 6)	-	(5,842)
Unrestricted Operating Fund balance - end of year	(494,048)	(84,334)
Internally restricted Operating Fund balance	<u>500,000</u>	<u>500,000</u>
Operating Fund balance - end of year	\$ 5,952	\$ 415,666

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 2010

	2010	2009
Revenue	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Amortization of building and equipment	175,126	176,199
Excess (deficiency) of expenses over revenue	(175,126)	(176,199)
Capital Fund balance - beginning of year	2,193,206	2,263,035
Transfer from Operating Fund (Note 6)	430,155	106,370
Capital Fund balance - end of year	<u>\$ 2,448,235</u>	<u>\$ 2,193,206</u>

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 2010

	Balance 31 March 2009	Receipts for the Year	Expenses for the Year	Balance 31 March 2010
	\$	\$	\$	\$
Externally restricted				
Elda Lindenfield - staff training and equipment	2,895	218	-	3,113
Litigation Fund	56,002	88	-	56,090
Therapeutic Riding Program Fund	6,385	3,629	(3,707)	6,307
Differential Fund	16,584	16,521	(14,085)	19,020
	<u>81,866</u>	<u>20,456</u>	<u>(17,792)</u>	<u>84,530</u>
Internally restricted				
Directors' Fund	7,631	6,683	(13)	14,301
Building Renovation Fund	307,864	15,286	(7,534)	315,616
Autism Spectrum Disorder Project Fund	149,928	50	(135,964)	14,014
	<u>465,423</u>	<u>22,019</u>	<u>(143,511)</u>	<u>343,931</u>
	<u>547,289</u>	<u>42,475</u>	<u>(161,303)</u>	<u>428,461</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 2010

	2010	2009
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ 20,441	\$ 24,236
Capital Fund	(175,126)	(176,199)
Designated Funds	(118,828)	(29,752)
Items not involving cash		
Amortization of capital assets	175,126	176,199
Loss on sale of property	19,952	-
	(78,435)	(5,516)
Changes in non-cash working capital balances	56,598	127,077
	(21,837)	121,561
Investing activities		
Purchase of equipment	(44,943)	(107,994)
Purchase of property	(458,019)	-
Proceeds on sale of property	438,067	-
Purchase of term deposit	-	(500,000)
Redemption of short-term investments	-	6,266
	(64,895)	(601,728)
Financing activities		
Loan repayments	-	(183,178)
Lease repayment	-	(1,149)
	-	(184,327)
Net increase (decrease) in cash	(86,732)	(664,494)
Cash - beginning of year	1,157,542	1,822,036
Cash - end of year	\$ 1,070,810	\$ 1,157,542

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 2010

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 2010

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
Automotive	30% declining balance
Computers	30% declining balance

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

(d) **Donated Goods and Services**

The Foundation does not recognize the fair value of donated goods and services. During the year, materials donated to the Foundation totaled \$9,910 and have not been recorded in these financial statements. 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 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. Change in Accounting Policies

(a) **Capital Disclosures**

The Foundation adopted the recommendations of the CICA Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed.

The Foundation's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate of bringing people together to connect with schools, community resources, and other families; prevent violence in the home and in the community; and create strong families, and supportive communities. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating and capital budgets. When necessary, the Foundation takes appropriate action to reduce expenditures or curtail programs when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2010

3. Change in Accounting Policy - continued

(a) Capital Disclosures - continued

The uses of the Designated Funds are restricted as disclosed in Note 2 (a) (iii).

This new standard only addresses the disclosure in the financial statements and has no impact on the financial results.

(b) Accounting Standards Not-for-Profit Organizations

Effective 1 January 2009, the Foundation adopted the CICA Handbook amended Sections 4400 and the new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments clarified 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. The adoption of these standards has no impact on the financial statements.

4. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2010	2009
Vancouver buildings	\$ 3,295,210	\$ 1,022,803	\$ 2,272,407	\$ 2,354,787
Building improvements	33,326	14,130	19,196	23,995
Furniture, fixtures and equipment	468,377	419,127	49,250	57,174
Computer equipment	124,127	74,909	49,218	59,370
Automotive	117,153	58,989	58,164	83,092
	\$ 4,038,193	\$ 1,589,958	\$ 2,448,235	\$ 2,578,418

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 2010

5. 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.

	2010	2009
Caregiver Support	\$ 134,944	\$ 146,649
Family Preservation	94,826	70,000
Aboriginal Program	38,774	22,250
Respite	42,858	16,000
South Fraser	21,016	33,000
FASD	9,067	-
Out of Care	564	975
Cedarwood	60,022	65,000
Simon Fraser	28,841	13,000
Alderwood	55,079	-
Supervised Access	17,738	9,238
ASD Greencrest	-	4,878
ASD Weekend Respite	16,708	5,856
FP Quick Response	-	62,647
ASD Bridgehouse	69,667	10,000
RFTS/UBC	-	49,177
Triple P & Parent Support	-	29,720
Administrative	121	4,880
	\$ 590,225	\$ 543,270

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:

2011	\$ 355,288
2012	306,989
2013	154,015
2014	2,672
2015	929
	\$ 819,893

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2010

8. Contingent Liability

The Foundation expects to conclude a Human Resource Facility agreement with the Ministry of Children and Family Development. The agreement will amortize 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 has elected to use the exemption provided by the CICA permitting not-for-profit organizations to continue to apply the requirements of Handbook Section 3861 and not apply the Handbook Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation" for the year ended 31 March 2010.

(a) Fair Value

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.

(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 2010

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 a maximum rate of 2.5% or 5% depending 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 existing Registered Pension Plan will be wound up and the funds disbursed to each member according to each member's elected option.

The Foundation has now enrolled in the Municipal Pension Plan as of 1 April 2010. The Municipal Pension Plan is a contributing defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service. The Foundation will contribute 8.08% and the employees will contribute 6.99% on the first \$47,200 of their salaries to the plan and 8.49% of salary in excess of \$47,200.

The total pension expense recorded by the Foundation was \$131,711 (2009 - \$101,272).

12. Subsequent Event

In May 2010, the Foundation purchased a property located at 16564 79A Avenue, Surrey, BC for \$570,000. The purchase was financed by a mortgage with the Royal Bank of \$300,000 at an interest rate of prime plus 1.5% per annum.