

THE CHILDREN'S FOUNDATION

FINANCIAL STATEMENTS

31 MARCH 2014

THE CHILDREN'S FOUNDATION
Financial Statements
For the Year Ended 31 March 2014

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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 statements of financial position as at 31 March 2014 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 2014 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
17 June 2014

THE CHILDREN'S FOUNDATION
Statement of Financial Position
31 March 2014

	Operating Fund	Capital Fund	Designated Funds	Total	
				2014	2013
	\$	\$	\$	\$	\$
Assets					
Current					
Cash	178,450	-	351,773	530,223	399,117
Term deposit (restricted)	200,000	-	-	200,000	50,000
Accounts receivable	23,734	-	-	23,734	41,959
Prepaid expenses	13,625	-	-	13,625	19,086
	415,809	-	351,773	767,582	510,162
Building and equipment (Note 3)	-	2,095,168	-	2,095,168	2,846,126
	415,809	2,095,168	351,773	2,862,750	3,356,288
Liabilities					
Current					
Bank indebtedness (Note 4)	-	-	-	-	94,558
Accounts payable	103,848	-	-	103,848	101,308
Accrued wages payable	79,746	-	-	79,746	97,008
Accrued vacation and sick leave payable (Note 10)	354,911	-	-	354,911	388,141
Government remittances payable	20,330	-	-	20,330	22,594
Deferred contributions (Note 5)	46,678	-	-	46,678	310,654
	605,513	-	-	605,513	1,014,263
Commitments (Note 7)					
Contingent liabilities (Note 8)					
Fund balances					
Externally restricted	-	-	96,722	96,722	96,501
Internally restricted	300,000	-	255,051	555,051	545,769
Unrestricted	(489,704)	-	-	(489,704)	(1,146,371)
Invested in capital assets	-	2,095,168	-	2,095,168	2,846,126
	(189,704)	2,095,168	351,773	2,257,237	2,342,025
	415,809	2,095,168	351,773	2,862,750	3,356,288

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 2014

	Operating Fund		Capital Fund	Designated Funds		Total	
	Unrestricted	Internally Restricted		Externally Restricted	Internally Restricted	2014	2013
	\$	\$	\$	\$	\$	\$	\$
Balance - beginning of year	(1,146,371)	300,000	2,846,126	96,501	245,769	2,342,025	2,590,045
Excess (deficiency) of revenue over expenses for the year	(94,291)	-	-	221	9,282	(84,788)	(248,020)
Purchase of capital assets	(47,226)	-	47,226	-	-	-	-
Amortization of building and equipment	133,753	-	(133,753)	-	-	-	-
Disposal of capital assets	664,431	-	(664,431)	-	-	-	-
Balance - end of year	(489,704)	300,000	2,095,168	96,722	255,051	2,257,237	2,342,025

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

THE CHILDREN'S FOUNDATION
Statement of Operations
For the Year Ended 31 March 2014

	Operating Fund	Designated Funds	Total 2014	Total 2013
	\$	\$	\$	\$
Revenue				
Provincial government funding	5,496,179	-	5,496,179	5,922,643
Recognition of deferred contributions	310,654	-	310,654	200,246
Donations, grants and memberships	25,342	-	25,342	29,897
Interest and other income	38,711	-	38,711	19,213
Externally restricted revenue (Schedule 1)	-	27,133	27,133	12,539
Internally restricted revenue (Schedule 1)	-	10,772	10,772	18,332
	<u>5,870,886</u>	<u>37,905</u>	<u>5,908,791</u>	<u>6,202,870</u>
Expenses				
Salaries and wages	3,692,822	-	3,692,822	4,162,492
Employee benefits (Note 11)	853,170	-	853,170	892,079
Building and equipment operation and maintenance	299,553	-	299,553	314,018
Program supplies	217,233	-	217,233	207,001
Contracted services	205,740	-	205,740	244,453
Equipment costs	144,121	-	144,121	79,424
Telecommunications	68,752	-	68,752	80,976
Office expenses	65,340	-	65,340	67,001
Transportation	53,694	-	53,694	59,231
Insurance and property tax	44,578	-	44,578	44,555
Automobile	22,606	-	22,606	36,457
Professional services	17,057	-	17,057	66,342
Recruitment and staff	10,152	-	10,152	25,424
Promotion and volunteer	7,911	-	7,911	12,310
Miscellaneous	747	-	747	1,749
Externally restricted expenses (Schedule 1)	-	26,912	26,912	15,370
Internally restricted expenses (Schedule 1)	-	1,490	1,490	53
Loss on sale of capital assets	127,948	-	127,948	1,532
Amortization of building and equipment	133,753	-	133,753	140,423
	<u>5,965,177</u>	<u>28,402</u>	<u>5,993,579</u>	<u>6,450,890</u>
Excess (deficiency) of revenue over expenses	<u>(94,291)</u>	<u>9,503</u>	<u>(84,788)</u>	<u>(248,020)</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 2014

	2014	2013
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	\$ (94,291)	\$ (263,468)
Designated Funds	9,503	15,448
Items not involving cash		
Amortization of capital assets	133,753	140,423
Loss on sale of capital assets	127,948	1,532
	176,913	(106,065)
Changes in non-cash working capital balances	(290,506)	124,212
	(113,593)	18,147
Investing activities		
Purchase of equipment	(47,226)	(37,992)
Redemption (purchase) of term deposit	(150,000)	250,000
Proceeds from sale of capital assets, net	536,483	-
	339,257	212,008
Net increase in cash	225,664	230,155
Cash - beginning of year	304,559	74,404
Cash - end of year	\$ 530,223	\$ 304,559
Cash represented by:		
Cash	\$ 530,223	\$ 399,117
Bank indebtedness	-	(94,558)
	\$ 530,223	\$ 304,559

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 2014

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

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 2014

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

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. 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 accounting standards for not-for-profit organizations 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.

(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 2014

2. Summary of Significant Accounting Policies - continued

(g) 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 and accrued liabilities.

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 2014

3. Building and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2014	2013
Land	\$ -	\$ -	\$ -	\$ 408,379
Building	-	-	-	258,344
Vancouver buildings	3,295,210	1,352,324	1,942,886	2,025,266
Building improvements	33,326	25,463	7,863	9,828
Furniture, fixtures and equipment	161,467	101,540	59,927	43,168
Computer equipment	182,132	143,539	38,593	46,589
Computer software	26,144	16,608	9,536	14,765
Automotive	117,153	103,188	13,965	19,950
Leasehold improvements	29,381	6,983	22,398	19,837
	<u>\$ 3,844,813</u>	<u>\$ 1,749,645</u>	<u>\$ 2,095,168</u>	<u>\$ 2,846,126</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. Bank indebtedness

The Foundation had a line of credit up to a maximum of \$300,000 from VanCity which was cancelled during the year.

5. Deferred Contributions

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

6. Interfund Transfers

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

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2014

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:

2015	\$ 327,407
2016	311,619
2017	302,434
2018	<u>150,789</u>
	<u>\$ 1,092,249</u>

8. Contingent Liabilities

- (a) 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.
- (b) The Foundation terminated its group insurance plan with HealthCare Benefit 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 \$244,033 as determined by the Trust's actuaries. The Community Social Services Employers' Association, representing the Foundation and other similar agencies, is in negotiations with the government to request that the government take responsibility for and pay off the current HealthCare Benefit Trust unfunded liability. There has been no change in negotiations or estimated liability as at 31 March 2014. No amount has been accrued for in these financial statements.

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 2014.

(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.

(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.

THE CHILDREN'S FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 March 2014

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

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 9.35% and the employees contribute 7.80% on their first \$51,100 of their salaries to the plan and 9.30% of salary in excess of \$51,100. Effective 1 July 2014, the Foundation's rate will increase to 10.18% and the employee's rate will increase to 8.5% on the first \$52,500 and 10.00% in excess of \$52,500.

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 2014 amounted to \$270,095 (2013 - \$270,169).

12. Comparative Figures

Certain comparative figures have been reclassified to correspond to the current year's financial statement presentation.

THE CHILDREN'S FOUNDATION
Schedule 1 - Designated Funds
For the Year Ended 31 March 2014

	Balance 31 March 2013	Receipts for the Year	Expenses for the Year	Transfers	Balance 31 March 2014
	\$	\$	\$	\$	\$
Externally restricted					
Designated Program Funds	11	5,019	5,030	-	-
Elda Lindenfield - staff training and equipment	1,799	7	-	-	1,806
Fun and Functional Fund	10,550	-	-	-	10,550
Litigation Fund	57,222	338	-	-	57,560
Therapeutic Riding Program	8,296	6,690	3,183	-	11,803
Differential Fund	18,623	7,957	13,504	-	13,076
Alderwood Program Funds	-	7,122	5,195	-	1,927
	<u>96,501</u>	<u>27,133</u>	<u>26,912</u>	<u>-</u>	<u>96,722</u>
Internally restricted					
Directors' Fund	35,851	5,698	15	-	41,534
Building Renovation Fund	201,069	1,137	-	-	202,206
Staff development	8,849	3,937	1,475	-	11,311
	<u>245,769</u>	<u>10,772</u>	<u>1,490</u>	<u>-</u>	<u>255,051</u>
	<u>342,270</u>	<u>37,905</u>	<u>28,402</u>	<u>-</u>	<u>351,773</u>