

Consolidated Financial Statements of

**THE BRITISH COLUMBIA LIONS SOCIETY
FOR CHILDREN WITH DISABILITIES**

Year ended September 30, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Members of The British Columbia Lions Society for Children with Disabilities

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of The British Columbia Lions Society for Children with Disabilities, which comprise the consolidated statement of financial position as at September 30, 2016, the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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 an 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether, as at or for the years ended September 30, 2016 and September 30, 2015, any adjustments might be necessary to donation revenues and excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The British Columbia Lions Society for Children with Disabilities as at September 30, 2016, and its consolidated results of operations and its consolidated 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 (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

December 5, 2016
Burnaby, Canada

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Consolidated Statement of Financial Position

September 30, 2016, with comparative information for 2015


	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 816,397	\$ 345,221
Accounts receivable	357,965	272,888
Prepaid expenses	91,464	88,947
	<u>1,265,826</u>	<u>707,056</u>
Investments (note 3)	1,665,989	1,224,475
Capital assets (note 4)	2,329,938	2,623,405
	<u>\$ 5,261,753</u>	<u>\$ 4,554,936</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 195,888	\$ 241,903
Current portion of long-term debt (note 7)	150,000	150,000
Current portion of capital lease obligation (note 8)	7,861	8,281
Deferred revenue (note 9)	67,620	57,918
	<u>421,369</u>	<u>458,102</u>
Long-term debt (note 7)	2,425,000	2,575,000
Capital lease obligation (note 8)	16,328	24,180
Deferred capital contributions (note 10)	1,059,958	1,188,309
	<u>3,922,655</u>	<u>4,245,591</u>
Net assets:		
Restricted for endowments (note 11)	413,672	410,422
Unrestricted net assets (deficiency)	925,426	(101,077)
	<u>1,339,098</u>	<u>309,345</u>
Commitments (note 14)		
	<u>\$ 5,261,753</u>	<u>\$ 4,554,936</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board



Aaron Stewardson, Audit Committee Chair



Craig Muhro, Chairman of the Board

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Consolidated Statement of Operations

Year ended September 30, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Programs:		
Camp Program and Rentals	\$ 1,082,880	\$ 1,064,638
Easter Seal House	860,495	770,812
	<u>1,943,375</u>	<u>1,835,450</u>
Donations from general public (notes 12 and 13)	1,891,700	2,396,260
Government grant	1,000,000	-
Special events (note 12)	1,166,060	1,287,769
Lotteries	166,342	179,508
Lions and other service clubs gaming donations	188,887	176,356
Direct Access funds from B.C. Gaming Commission	220,000	220,000
Amortization of deferred capital contributions	167,950	174,083
Investment income (note 3)	117,257	12,992
	<u>6,861,571</u>	<u>6,282,418</u>
Expenses:		
Programs:		
Camps	2,046,143	1,875,274
Easter Seal Houses	973,331	885,521
Community Support	5,411	2,335
	<u>3,024,885</u>	<u>2,763,130</u>
Campaigns and public relations (note 12)	585,899	734,043
Special Events (note 12)	947,300	1,032,059
Lotteries	132,433	124,387
Administration (note 15)	726,881	861,877
Amortization of capital assets	312,399	289,792
Interest	107,271	117,186
	<u>5,837,068</u>	<u>5,922,474</u>
Excess of revenue over expenses before undernoted	1,024,503	359,944
Gain (loss) on sale of capital assets (note 4)	2,000	(529)
Excess of revenue over expenses	\$ 1,026,503	\$ 359,415

See accompanying notes to consolidated financial statements.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended September 30, 2016, with comparative information for 2015

	Restricted for endowments	Unrestricted	Total 2016	Total 2015
Balance, beginning of year	\$ 410,422	\$ (101,077)	\$ 309,345	\$ (55,373)
Excess of revenue over expenses	-	1,026,503	1,026,503	359,415
Endowment contributions	3,250	-	3,250	5,303
Balance, end of year	\$ 413,672	\$ 925,426	\$ 1,339,098	\$ 309,345

See accompanying notes to consolidated financial statements.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Consolidated Statement of Cash Flows

Year ended September 30, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 1,026,503	\$ 359,415
Items not involving cash:		
Amortization of capital assets	312,399	289,792
Amortization of deferred capital contributions	(167,950)	(174,083)
Loss (gain) on sale of capital assets	(2,000)	529
Unrealized loss (gain) (note 3)	(86,786)	27,682
Changes in non-cash working capital:		
Accounts receivable	(85,077)	(30,266)
Prepaid expenses	(2,517)	9,105
Accounts payable and accrued liabilities	(46,015)	(4,375)
Deferred revenue	9,702	(3,081)
	<u>958,259</u>	<u>474,718</u>
Investments:		
Investments purchased	(1,467,032)	(1,085,536)
Proceeds on sale of investments	1,112,304	934,707
Capital assets acquired	(18,932)	(492,210)
Proceeds on sale of capital assets	2,000	200
	<u>(371,660)</u>	<u>(642,839)</u>
Financing:		
Repayment of long-term debt	(150,000)	(150,000)
Repayment of capital lease obligation	(8,272)	(18,885)
Receipt of capital contributions	39,599	306,482
Endowment contributions received	3,250	5,303
	<u>(115,423)</u>	<u>142,900</u>
Increase (decrease) in cash	471,176	(25,221)
Cash, beginning of year	345,221	370,442
Cash, end of year	<u>\$ 816,397</u>	<u>\$ 345,221</u>
Supplementary information:		
Assets acquired under capital lease	\$ -	\$ 40,893

See accompanying notes to consolidated financial statements.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements

Year ended September 30, 2016

1. Operations:

The British Columbia Lions Society for Children with Disabilities (the "Society") and its Affiliated Societies provide services to persons with disabilities in the Province of British Columbia. These services are funded by donations from the general public and others to the Society and its affiliates, Custom Service Transit Society, Easter Seal House Society, 24-Hour Relay for the Kids Society, The British Columbia Lions Foundation for Children with Disabilities and the British Columbia Easter Seal Society (collectively, the "Affiliated Societies"). The Society controls the Affiliated Societies by virtue of a common Board of Directors. The Society and the Affiliated Societies are charitable organizations registered under the Income Tax Act and, as such, they are exempt from income and capital taxes and are able to issue donation receipts for income tax purposes.

2. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations and include the accounts of the Affiliated Societies. All significant balances and transactions among the Society and the Affiliated Societies have been eliminated on consolidation. These consolidated financial statements are prepared in accordance with the following significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid investments with terms to maturity of three months or less at the date of acquisition.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Restricted contributions and investment income are recognized as revenue in the year in which the related expenses are incurred or the restrictions have been met. Endowment contributions are recognized as direct increases in net assets restricted for endowments.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

All transactions are recorded at cost, except those involving donated assets and services, which are recorded at their fair value at date of receipt where fair value is determinable. Pledges receivable are recorded as revenue when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured. Donated services and materials normally acquired for the operations of the Society are recorded at their fair value, when readily determinable, as of the date the services are provided or the materials are received. Donated services in the form of volunteer time are not recognized in these financial statements due to the difficulty in determining a fair value.

(c) Capital assets:

Capital assets are initially recorded at cost or, when contributed, at fair value. Amortization is provided annually on a straight-line basis over the estimated useful lives of the assets as follows:

Assets	Amortization period
Buildings	10-20 years
Furniture and equipment	2-20 years
Transportation vehicles	5-8 years

(d) Deferred capital contributions:

Deferred capital contributions represent the unamortized portion of contributions externally restricted for capital assets. These contributions are recognized into income over the same period as the capital assets purchased with the contributions.

(e) Allocation of expenses:

Expenses have been allocated to individual programs, campaigns, lotteries, public relations and Affiliated Societies based on the specific identification of such costs.

Management allocates administrative resource costs between the general administration expense and events and programs based on the percentage of time that administrative staff spends on those events and programs. Management re-evaluates the allocation percentages on an annual basis.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

2. Significant accounting policies (continued):

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring estimates include the determination of useful lives for amortization and, where applicable, impairment of capital assets, the estimated realizable value of pledges receivable and amounts recorded as contingent liabilities. Actual results could differ from these estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value. Accounts receivable and accounts payable and accrued liabilities are carried at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets recorded at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

3. Investments:

	2016	2015
Money market funds, measured at fair value	78,732	78,011
Fixed income investments, measured at amortized cost	1,012,610	854,236
Equity investments, measured at fair value	574,647	292,228
	\$ 1,665,989	\$ 1,224,475

Investment income earned during the year is comprised of the following:

	2016	2015
Interest and dividends	\$ 51,697	\$ 33,484
Realized gain (loss)	(21,226)	7,190
Unrealized gain (loss)	86,786	(27,682)
	\$ 117,257	\$ 12,992

4. Capital assets:

	Cost	Accumulated amortization	Net book value 2016	Net book value 2015
Land	\$ 822,819	\$ -	\$ 822,819	\$ 822,819
Buildings	7,411,724	6,104,831	1,306,893	1,528,847
Furniture and equipment	3,432,816	3,258,061	174,755	237,618
Transportation vehicles	297,150	295,258	1,892	2,420
Assets under capital lease	40,893	17,314	23,579	31,701
	\$ 12,005,402	\$ 9,675,464	\$ 2,329,938	\$ 2,623,405

During the year, the Society disposed of equipment with a net book value of approximately nil (2015 - \$729). This disposition resulted in a gain of \$2,000 (2015 - loss of \$529).

5. Line of credit:

The available operating line at September 30, 2016 consists of a bank operating line of credit of \$750,000. As at September 30, 2016, nil (2015 - nil) was drawn from the operating line of credit. The operating line bears interest at the bank's prime lending rate plus 0.5%. The same security is pledged for both the operating line and non-revolving loan (note 7).

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at September 30, 2016 are government remittances payable of \$17,690 (2015 - \$31,553) relating to payroll taxes, health taxes and workers' safety insurance premiums.

7. Long-term Debt:

	2016	2015
Non-revolving loan, due November 15, 2019, payable to Bank of Nova Scotia in 47 equal monthly installments of principal of \$12,500 plus interest at a fixed rate of 3.93%.	2,575,000	2,725,000
Current portion of long term debt	150,000	150,000
	\$ 2,425,000	\$ 2,575,000

The Society and the Easter Seal House Society are jointly and severally liable for the Bank of Nova Scotia loans. The loan is secured by a first fixed charge over the Vancouver Easter Seal House land and building and rents therefrom, a first fixed charge over the Camp Squamish land and buildings and rents therefrom, a general charge over any other real properties, a general security agreement and an unlimited guarantee and assignment of insurance.

In addition to the requirement for monthly instalments of principal and interest, a minimum of one half of the net proceeds of the sale of any unencumbered real estate secured under the loan above are to be applied against the non-revolving loan as a permanent reduction of principal relating to the Bank of Nova Scotia loan.

The aggregate repayment of long-term debt subsequent to September 30, 2016 is as follows:

2017	\$ 150,000
2018	150,000
2019	2,275,000
	\$ 2,575,000

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

8. Obligations under capital lease:

The Company has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

Year ending September 30:		
2017	\$	8,705
2018		6,242
2019		6,242
2020		5,201
Total minimum lease payments		26,390
Less amount representing interest (at rates ranging from 3% to 9%)		2,201
Present value of net minimum capital lease payments		24,189
Current portion of obligations under capital leases		7,861
	\$	16,328

Interest of \$917 (2015 – \$1,307) relating to capital lease obligations has been included in interest expense. The total amount of equipment under capital lease is \$40,893 with related accumulated amortization of \$17,314.

9. Deferred revenue:

	2016	2015
Balance, beginning of year	\$ 57,918	\$ 60,999
Amounts received during the year	103,006	99,356
Amounts recognized to revenue during the year	(93,304)	(102,437)
Balance, end of year	\$ 67,620	\$ 57,918

Deferred revenue consists primarily of camp deposits and contributions received prior to year-end for a lottery that is to be drawn in the next fiscal year.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

10. Deferred capital contributions:

	2016	2015
Balance, beginning of year	\$ 1,188,309	\$ 1,055,910
Amounts received during the year	39,599	306,482
Amounts recognized to revenue during the year	(167,950)	(174,083)
Balance, end of year	\$ 1,059,958	\$ 1,188,309

The balance includes an aggregate unspent amount of \$86,165 (2015 - \$77,700) contributed for the purposes of future capital asset purchases.

11. Restrictions on net assets for endowments:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained in perpetuity. All investment income earned on the assets restricted for endowment purposes is unrestricted. Endowment investments consist of investments in the amount of \$101,028 (2015 - \$382,658) and restricted cash of \$312,644 (2015 - \$27,764).

12. Donations in kind:

During the year, the Society received various donated services and materials valued at \$692,659 (2015 - \$662,485) that have been included in revenue of donations from the general public and special events and in the expenses of campaigns and public relations and special events in the financial statements. These donated services and materials have been recorded at their estimated fair value based on management's ability to discern the value they represent in the market.

13. Revenue from bequests:

During the year, the Society received bequests in the amount of \$1,170,374 (2015 - \$1,672,708). This amount is included in donations from general public.

14. Commitments:

The Society has in place a letter of credit in the amount of \$40,000 issued by the Bank of Nova Scotia which expires on December 31, 2016. This letter of credit is required to secure the total prize value of a lottery that ends in December 2016.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

15. General support expenses:

Human resources and corporate operating expenses of \$1,323,074 (2015 - \$1,333,721) have been allocated per note 2(e) as follows:

	Allocated percentage	2016	2015
Administration	55%	\$ 726,881	\$ 861,877
Easter Seal House	23%	300,947	235,922
Camps	22%	295,246	235,922
	100%	\$ 1,323,074	\$ 1,333,721

16. Financial risks:

(a) 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. The Society has investments in money market funds and equity investments which are subject to risks arising from changes in market conditions.

(b) Currency risk:

Currency risk arises on financial instruments that are denominated in a foreign currency. The Society has investments in international bonds and equity funds which are indirectly subject to risks arising from changes in foreign currency rates related to the underlying securities.

(c) Interest rate risk:

The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk while the floating rate instruments subject it to a cash flow risk. The Society is exposed to this type of risk as a result of investments in bonds and money market funds. The risk associated with investments is managed through the Society established Investment Policy.

(d) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Society is exposed to credit risk with respect to the accounts receivable and its investments in term deposits and GICs. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectable in the allowance for doubtful accounts.

THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2016

16. Financial risks (continued):

(e) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations.

17. Comparative information:

Certain comparative information have been reclassified to conform to the current year's financial statement presentation.