

Consolidated Financial Statements of

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

Year ended September 30, 2017



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## 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, 2017, the consolidated statements of operations, changes in net assets 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 not-for-profit 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. Therefore, we were not able to determine whether, as at or for the years ended September 30, 2017 and September 30, 2016, any adjustments might be necessary to donation revenues and excess of revenue over expenses recorded in the statement of operations and statement of cash flows, and current assets and net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the consolidated financial statements as at and for the year ended September 30, 2016.

*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, 2017, 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 Societies 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 year.

*KPMG LLP*

Chartered Professional Accountants

December 3, 2017  
Burnaby, Canada

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

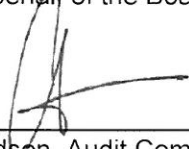
## Consolidated Statement of Financial Position

September 30, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 816,397
Accounts receivable	296,330	357,965
Prepaid expenses	96,436	91,464
	392,766	1,265,826
Investments (note 3)	1,650,847	1,665,989
Capital assets (note 4)	2,324,315	2,329,938
	<b>\$ 4,367,928</b>	<b>\$ 5,261,753</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Bank indebtedness	\$ 630,492	\$ -
Accounts payable and accrued liabilities (note 6)	295,849	195,888
Current portion of long-term debt (note 7)	150,000	150,000
Current portion of capital lease obligation (note 8)	5,762	7,861
Deferred revenue (note 9)	36,109	67,620
	1,118,212	421,369
Long-term debt (note 7)	2,275,000	2,425,000
Capital lease obligation (note 8)	10,566	16,328
Deferred capital contributions (note 10)	897,754	1,059,958
	4,301,532	3,922,655
Net assets:		
Restricted for endowments (note 11)	420,391	413,672
Unrestricted net assets	(353,995)	925,426
	66,396	1,339,098
	<b>\$ 4,367,928</b>	<b>\$ 5,261,753</b>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

  
Aaron Stewardson, Audit Committee Chair

  
Craig Munro, Chairman of the Board

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

## Consolidated Statement of Operations

Year ended September 30, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Programs:		
Camp Program and Rentals	\$ 923,935	\$ 1,082,880
Easter Seal House	825,936	860,495
	<u>1,749,871</u>	<u>1,943,375</u>
Donations from general public (notes 12 and 13)	762,261	1,891,700
Government grant	-	1,000,000
Special events (note 12)	740,267	1,166,060
Lotteries	165,526	166,342
Lions and other service clubs gaming donations	177,198	188,887
Direct Access funds from B.C. Gaming Commission	220,000	220,000
Amortization of deferred capital contributions	194,039	167,950
Investment income (note 3)	67,569	117,257
	<u>4,076,731</u>	<u>6,861,571</u>
Expenses:		
Programs:		
Camps (note 14)	2,119,987	2,046,143
Easter Seal House (note 14)	982,348	973,331
Community Support	209	5,411
	<u>3,102,544</u>	<u>3,024,885</u>
Campaigns and public relations (note 12)	497,907	585,899
Special Events (note 12)	529,449	947,300
Lotteries	124,927	132,433
Administration (note 14)	667,539	726,881
Amortization of capital assets	330,645	312,399
Interest	107,141	107,271
	<u>5,360,152</u>	<u>5,837,068</u>
Excess (deficiency) of revenue over expenses before undernoted	(1,283,421)	1,024,503
Gain on sale of capital assets (note 4)	4,000	2,000
Excess (deficiency) of revenue over expenses	<u>\$ (1,279,421)</u>	<u>\$ 1,026,503</u>

See accompanying notes to consolidated financial statements.

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

## Consolidated Statement of Changes in Net Assets

Year ended September 30, 2017, with comparative information for 2016

	Restricted for endowments	Unrestricted	Total 2017	Total 2016
Net assets, beginning of year	\$ 413,672	\$ 925,426	\$ 1,339,098	\$ 309,345
Excess (deficiency) of revenue over expenses	-	(1,279,421)	(1,279,421)	1,026,503
Endowment contributions	6,719	-	6,719	3,250
Net assets, end of year	\$ 420,391	\$ (353,995)	\$ 66,396	\$ 1,339,098

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (1,279,421)	\$ 1,026,503
Items not involving cash:		
Amortization of capital assets	330,645	312,399
Amortization of deferred capital contributions	(194,039)	(167,950)
Gain on sale of capital assets	(4,000)	(2,000)
Unrealized (gain) loss on investments	5,542	(86,786)
Changes in non-cash working capital:		
Accounts receivable	61,635	(85,077)
Prepaid expenses	(4,972)	(2,517)
Accounts payable and accrued liabilities	99,961	(46,015)
Deferred revenue	(31,511)	9,702
	(1,016,160)	958,259
Investments:		
Investments purchased	(876,684)	(1,467,032)
Proceeds on sale of investments	886,284	1,112,304
Capital assets acquired	(325,022)	(18,932)
Proceeds on sale of capital assets	4,000	2,000
	(311,422)	(371,660)
Financing:		
Repayment of long-term debt	(150,000)	(150,000)
Repayment of capital lease obligation	(7,861)	(8,272)
Receipt of capital contributions	31,835	39,599
Endowment contributions received	6,719	3,250
	(119,307)	(115,423)
Increase (decrease) in cash	(1,446,889)	471,176
Cash and cash equivalents, beginning of year	816,397	345,221
Cash and cash equivalents (bank indebtedness), end of year	\$ (630,492)	\$ 816,397

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, 2017

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## 1. Operations:

The British Columbia Lions Society for Children with Disabilities (the "Society") is a not-for-profit organization incorporated under the Society Act (British Columbia). On November 28, 2016, the new Societies Act (British Columbia) become effective. The Society has until November 28, 2018 to transition to the new Act.

The Society, together with 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.

These consolidated financial statements have been prepared in accordance with accounting principles under Part III of the CPA Canada Handbook applicable to a going concern which, assumes that the Society will continue operations for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations. In the current year, the Society generated a deficiency of revenue over expenses of \$1,279,421, contributing to a deficiency of unrestricted net assets of \$353,995. For the year ended September 30, 2017, there was an absence of government funding (government funding received in the prior year amounted to \$1,000,000) and a decline in bequest revenue of \$1,064,276. The Society is implementing a new strategic plan to ensure long-term program delivery with a particular focus on generating greater and diversified revenues going forward. Continued use of the going concern assumption in future years will require the Society to generate sufficient revenues to meet its operating expense requirements.

## 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.



# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2017

## 2. Significant accounting policies (continued):

### (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.

All transactions are recorded at the exchange amount, 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) Impairment of long-lived assets:

The Society reviews, for impairment, the carrying value of capital assets to be held and used whenever events or changes in circumstances indicate that a cost incurred on an asset does not provide future service potential to the Society. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2017

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## 2. Significant accounting policies (continued):

### (e) 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.

### (f) 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.

### (g) 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 accounts receivable and amounts recorded as contingent liabilities. Actual results could differ from these estimates.

### (h) 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.

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, 2017

## 3. Investments:

	2017	2016
Money market funds, measured at fair value	\$ 51,698	\$ 78,732
Fixed income investments, measured at amortized cost	902,473	1,012,610
Equity investments, measured at fair value	696,676	574,647
	<u>\$ 1,650,847</u>	<u>\$ 1,665,989</u>

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

	2017	2016
Interest and dividends	\$ 58,536	\$ 51,697
Realized gain (loss)	14,575	(21,226)
Unrealized gain (loss)	(5,542)	86,786
	<u>\$ 67,569</u>	<u>\$ 117,257</u>

## 4. Capital assets:

			2017	2016
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 822,819	\$ -	\$ 822,819	\$ 822,819
Buildings	7,704,916	6,358,571	1,346,345	1,306,893
Furniture and equipment	3,474,720	3,336,810	137,910	174,755
Transportation vehicles	248,482	247,117	1,365	1,892
Assets under capital lease	30,819	14,943	15,876	23,579
	<u>\$ 12,281,756</u>	<u>\$ 9,957,441</u>	<u>\$ 2,234,315</u>	<u>\$ 2,329,938</u>

During the year, the Society disposed of equipment with a net book value of nil (2016 - nil) resulting in a gain of \$4,000 (2016 - \$2,000).

## 5. Line of credit:

The available operating line at September 30, 2017 consists of a bank operating line of credit of \$750,000. As at September 30, 2017, \$654,000 (2016 - 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, 2017

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at September 30, 2017 are government remittances payable of \$17,963 (2016 - \$17,690) relating to payroll taxes, health taxes and workers' safety insurance premiums.

## 7. Long-term debt:

	2017	2016
Non-revolving loan, due November 15, 2020, payable to Bank of Nova Scotia in 37 equal monthly installments of principal of \$12,500 plus interest at a fixed rate 3.93%.	\$ 2,425,000	\$ 2,575,000
Current portion of long term debt	150,000	150,000
	<u>\$ 2,275,000</u>	<u>\$ 2,425,000</u>

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, 2017 is as follows:

2018	\$ 150,000
2019	150,000
2020	150,000
2021	1,975,000
	<u>\$ 2,425,000</u>

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2017

## 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:		
2018	\$	6,242
2019		6,242
2020		5,201
Total minimum lease payments		17,685
Less amount representing interest (at rates ranging from 3% to 9%)		1,357
Present value of net minimum capital lease payments		16,328
Current portion of obligations under capital leases		5,762
	\$	10,566

Interest of \$807 (2016 - \$917) relating to capital lease obligations has been included in interest expense. The total amount of equipment under capital lease is \$30,819 with related accumulated amortization of \$14,943.

## 9. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 67,620	\$ 57,918
Amounts received during the year	51,577	103,006
Amounts recognized to revenue during the year	(83,088)	(93,304)
Balance, end of year	\$ 36,109	\$ 67,620

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, 2017

## 10. Deferred capital contributions:

	2017	2016
Balance, beginning of year	\$ 1,059,958	\$ 1,188,309
Amounts received during the year	31,835	39,599
Amounts recognized to revenue during the year	(194,039)	(167,950)
Balance, end of year	\$ 897,754	\$ 1,059,958

The balance includes an aggregate unspent amount of \$36,284 (2016 - \$86,165) 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, with the exception of the Noble Bruce William Walt Endowment which requires the annual reinvestment of 8% of income earned. Endowment investments consist of investments in the amount of \$415,136 (2016 - \$101,028) and restricted cash of \$5,255 (2016 - \$312,644).

## 12. Donations in kind:

During the year, the Society received various donated services and materials valued at \$345,323 (2016 - \$692,659) 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 consolidated 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 \$106,098 (2016 - \$1,170,374). This amount is included in donations from general public.



# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2017

## 14. General support expenses:

Human resources and corporate operating expenses of \$1,269,266 (2016 - \$1,323,074) have been allocated per note 2(f) as follows:

	Allocated percentage	2017	2016
Administration	52%	\$ 667,539	\$ 726,881
Easter Seal House	24%	297,324	300,947
Camps	24%	304,403	295,246
	100%	\$ 1,269,266	\$ 1,323,074

## 15. Remuneration of directors, employees and contractors:

- (a) During the year, the Society paid total remuneration of \$403,178 to four employees, each of whom received total annual remuneration of \$75,000 or greater.
- (b) The Society did not pay any remuneration to any of its directors during the year.

## 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. There have been no changes to the risk exposure from 2016.

- (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. There have been no changes to the risk exposure from 2016.

- (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. There have been no changes to the risk exposure from 2016.

# THE BRITISH COLUMBIA LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

Notes to Consolidated Financial Statements (continued)

Year ended September 30, 2017

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## **16. Financial risks (continued):**

### **(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. There have been no changes to the risk exposure from 2016.

### **(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. See Note 1 for changes to the risk from 2016.