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**The British Columbia Lions Society  
For Children with Disabilities**  
Consolidated Financial Statements  
September 30, 2018

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## Independent Auditor's 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 consolidated financial statements of The British Columbia Lions Society For Children With Disabilities, which comprise the consolidated statement of financial position as at September 30, 2018 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 British Columbia Lions Society For Children With Disabilities derives revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these types of revenues was limited to the amounts recorded in the records of The British Columbia Lions Society For Children With Disabilities. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended September 30, 2018 and assets and net assets as at September 30, 2018.



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### *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, 2018, and the consolidated results of its 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 principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
December 9, 2018

**Chartered Professional Accountants**

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# The British Columbia Lions Society For Children With Disabilities

Consolidated Statement of Financial Position  
September 30, 2018

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	2018	2017
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	156,702	-
Accounts receivable	156,909	296,330
Prepaid expenses	<u>18,825</u>	<u>96,436</u>
	332,436	392,766
Investments (Note 3)	1,433,151	1,650,847
Capital assets (Note 4)	<u>2,123,200</u>	<u>2,324,315</u>
	3,888,787	4,367,928
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness	-	630,492
Accounts payable and accrued liabilities (Note 6)	184,115	295,849
Current portion of long-term debt (Note 7)	150,000	150,000
Current portion of capital lease obligation (Note 8)	5,762	5,762
Deferred revenue (Note 9)	<u>266,457</u>	<u>36,109</u>
	606,334	1,118,212
Long-term debt (Note 7)	2,125,000	2,275,000
Capital lease obligations (Note 8)	4,803	10,566
Deferred capital contributions (Note 10)	<u>782,546</u>	<u>897,754</u>
	3,518,683	4,301,532
Pledge commitment (Note 16)		
<b>Net assets</b>		
Restricted for endowments (Note 11)	424,641	420,391
Unrestricted net assets	<u>(54,537)</u>	<u>(353,995)</u>
	370,104	66,396
	3,888,787	4,367,928

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

Approved on behalf of the Board



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Aaron Stewardson, Audit Committee Chair



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Tracy Lakeman, Chairman of the Board

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# The British Columbia Lions Society For Children With Disabilities

## Consolidated Statement of Operations Year ended September 30, 2018

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	2018	2017
	\$	\$
<b>Revenue</b>		
Programs		
Camp program and rentals	475,087	923,935
Easter Seal House	<u>999,204</u>	<u>825,936</u>
	1,474,291	1,749,871
Donations from general public (Notes 12 and 13)	1,264,663	762,261
Special events (Note 12)	504,315	740,267
Lotteries	4,509	165,526
Lions and other service clubs gaming donations	129,426	177,198
Direct access funds from BC Gaming Commission	220,000	220,000
Amortization of deferred capital contributions (Note 10)	196,513	194,039
Investment income (Note 3)	<u>100,068</u>	<u>67,569</u>
	<u>3,893,785</u>	<u>4,076,731</u>
<b>Expenses</b>		
Programs		
Camps (Note 14)	950,133	2,119,987
Easter Seal House (Note 14)	910,897	982,348
Community support	<u>-</u>	<u>209</u>
	1,861,030	3,102,544
Campaigns and public relations (Note 12)	461,193	497,907
Special events (Note 12)	384,638	529,449
Lotteries	828	124,927
Administration (Note 14)	451,271	667,539
Amortization of capital assets	332,815	330,645
Interest	<u>106,552</u>	<u>107,141</u>
	<u>3,598,327</u>	<u>5,360,152</u>
Excess (deficiency) of revenue over expenses before undernoted	295,458	(1,283,421)
Gain on sale of capital assets (Note 4)	<u>4,000</u>	<u>4,000</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>299,458</u>	<u>(1,279,421)</u>

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

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# The British Columbia Lions Society

## For Children with Disabilities

### Consolidated Statement of Changes in Net Assets

#### Year ended September 30, 2018

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	Restricted for endowments \$	Unrestricted \$	2018 Total \$	2017 Total \$
<b>Net assets, beginning of year</b>	420,391	(353,995)	66,396	1,339,098
Excess (deficiency) of revenue over expenses	-	299,458	299,458	(1,279,421)
Endowment contributions	<u>4,250</u>	<u>-</u>	<u>4,250</u>	<u>6,719</u>
<b>Net assets, end of year</b>	<b>424,641</b>	<b>(54,537)</b>	<b>370,104</b>	<b>66,396</b>

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

# The British Columbia Lions Society

## For Children With Disabilities

### Consolidated Statement of Cash Flows

Year ended September 30, 2018

	2018	2017
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Excess (deficiency) of revenue over expenses	299,458	(1,279,421)
Items not involving cash		
Amortization of capital assets	332,815	330,645
Amortization of deferred capital contributions	(196,513)	(194,039)
Gain on sale of capital assets	(4,000)	(4,000)
Unrealized (gain) loss on investments	(10,000)	5,542
Changes in non-cash working capital		
Accounts receivable	139,421	61,635
Prepaid expenses	77,611	(4,972)
Accounts payable and accrued liabilities	(111,734)	99,961
Deferred revenue	<u>230,348</u>	<u>(31,511)</u>
	<u>757,406</u>	<u>(1,016,160)</u>
<b>Cash flows from (used in) investing activities</b>		
Investments purchased	(1,254,428)	(876,684)
Proceeds on sale of investments	1,482,124	886,284
Capital assets acquired	(131,700)	(325,022)
Proceeds on sale of capital assets	<u>4,000</u>	<u>4,000</u>
	<u>99,996</u>	<u>(311,422)</u>
<b>Cash flows from (used in) financing activities</b>		
Repayment of long-term debt	(150,000)	(150,000)
Repayment of capital lease obligations	(5,763)	(7,861)
Receipt of capital contributions	81,305	31,835
Endowment contributions received	<u>4,250</u>	<u>6,719</u>
	<u>(70,208)</u>	<u>(119,307)</u>
<b>Increase (decrease) in cash during the year</b>	787,194	(1,446,889)
Cash and cash equivalents (bank indebtedness), beginning of year	<u>(630,492)</u>	<u>816,397</u>
<b>Cash and cash equivalents (bank indebtedness), end of year</b>	156,702	(630,492)

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

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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2018

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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 *Societies Act* (British Columbia).

The Society, together with its Affiliated Societies provide services to persons with disabilities from the Provinces of British Columbia and Yukon. 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 surplus of revenue over expenses of \$ 299,458, contributing to a deficiency of unrestricted net assets of \$ 54,537 and had a working capital deficit of \$ 273,898. 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.

### 2. Significant accounting policies

#### Basis of presentation

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:

#### 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.

#### 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.



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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2018

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### 2. Significant accounting policies - continued

All transactions are recorded at the exchange amount, except those involving donated services and materials. 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 consolidated financial statements due to the difficulty in determining a fair value.

Pledges receivable are recorded as revenue when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

#### 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:

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

#### Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to rental expense. At the inception of a capital lease, an asset and an obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

#### 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.

#### 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.

#### 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.

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# The British Columbia Lions Society

## For Children With Disabilities

### Notes to the Consolidated Financial Statements

Year ended September 30, 2018

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#### 2. Significant accounting policies - continued

##### 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.

##### 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.

3. Investments	2018	2017
	\$	\$
Money market funds, measured at fair value	60,644	51,698
Fixed income investments, measured at amortized cost	899,002	902,473
Equity investments, measured at fair value	<u>473,505</u>	<u>696,676</u>
	1,433,151	1,650,847

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

	2018	2017
	\$	\$
Interest and dividends	41,858	58,536
Realized gain	48,210	14,575
Unrealized gain (loss)	<u>10,000</u>	<u>(5,542)</u>
	100,068	67,569

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# The British Columbia Lions Society

## For Children With Disabilities

### Notes to the Consolidated Financial Statements

Year ended September 30, 2018

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4. Capital assets			2018	2017
			\$	\$
	Cost	Accumulated depreciation	Net book value	Net book value
Land	822,819	-	822,819	822,819
Buildings	7,811,535	6,623,017	1,188,518	1,346,345
Furniture and equipment	3,489,195	3,388,442	100,753	137,910
Transportation vehicles	246,677	245,840	837	1,365
Assets under capital lease	<u>30,819</u>	<u>20,546</u>	<u>10,273</u>	<u>15,876</u>
	12,401,045	10,277,845	2,123,200	2,324,315

During the year, the Society disposed of a motor vehicle with a net book value of \$ Nil (2017 - \$ Nil) resulting in a gain of \$ 4,000 (2017 - \$ 4,000).

#### 5. Line of credit

The available operating line at September 30, 2018 consists of a bank operating line of credit of \$ 750,000. As at September 30, 2018, \$ Nil (2017 - \$ 654,000) 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).

#### 6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities as at September 30, 2018 are government remittances payable of \$ 5,320 (2017 - \$ 17,963) relating to payroll taxes, health taxes and workers' safety insurance premiums.

7. Long-term debt	2018	2017
	\$	\$
Non-revolving loan, due November 15, 2020, payable to Bank of Nova Scotia in 25 equal monthly instalments of principal of \$ 12,500 plus interest at a fixed rate of 3.93%.	2,275,000	2,425,000
Current portion of long-term debt	<u>150,000</u>	<u>150,000</u>
	2,125,000	2,275,000

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.

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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2018

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7. **Long-term debt** - continued

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, 2018 is as follows:

	\$
2019	150,000
2020	150,000
2021	<u>1,975,000</u>
	2,275,000

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8. **Obligations under capital lease**

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

	\$
Year ending September 30:	
2019	6,242
2020	<u>5,201</u>
Total minimum lease payments	11,443
Less amount representing interest (at rates ranging from 3% to 9%)	<u>878</u>
Present value of net minimum capital lease payments	10,565
Current portion of obligations under capital lease	<u>5,762</u>
	4,803

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Interest of \$ 479 (2017 - \$ 807) 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 \$ 20,546.

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# The British Columbia Lions Society

## For Children With Disabilities

### Notes to the Consolidated Financial Statements

#### Year ended September 30, 2018

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9. <b>Deferred revenue</b>	<b>2018</b>	<b>2017</b>
	\$	\$
Balance, beginning of year	36,109	67,620
Amounts received during the year	263,450	51,577
Amounts recognized to revenue during the year	<u>(33,102)</u>	<u>(83,088)</u>
Balance, end of year	<u>266,457</u>	<u>36,109</u>

Deferred revenue consists primarily of a government grant that is to be drawn in the next fiscal year.

10. <b>Deferred capital contributions</b>	<b>2018</b>	<b>2017</b>
	\$	\$
Balance, beginning of year	897,754	1,059,958
Amounts received during the year	81,305	31,835
Amounts recognized to revenue during the year	<u>(196,513)</u>	<u>(194,039)</u>
Balance, end of year	<u>782,546</u>	<u>897,754</u>

The balance includes an aggregate unspent amount of \$ 19,665 (2017 - \$ 36,284) 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 \$ 417,636 (2017 - \$ 415,136) and restricted cash of \$ 7,005 (2017 - \$ 5,255).

#### 12. **Donations in kind**

During the year, the Society received various donated services and materials valued at \$ 246,890 (2017 - \$ 345,323) 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 \$ 421,796 (2017 - \$ 106,098). This amount is included in donations from general public.

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# The British Columbia Lions Society

## For Children With Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2018

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### 14. General support expenses

Human resources and corporate operating expenses of \$ 860,957 (2017 - \$ 1,269,266) have been allocated per Note 2 as follows:

	Allocated percentage %	2018 \$	2017 \$
Administration	52	451,271	667,539
Easter Seal House	28	236,887	297,324
Camps	<u>20</u>	<u>172,799</u>	<u>304,403</u>
	100	860,957	1,269,266

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

During the year, the Society paid total remuneration of \$ 414,307 to four employees, each of whom received total annual remuneration of \$ 75,000 or greater.

The Society did not pay any remuneration to any of its directors during the year.

### 16. Pledge commitment

The Society previously committed to payments towards an amount up to \$ 1,000,000 for a childhood health research project. As at September 30, 2018, the Society has paid, or otherwise been credited through joint fundraising events with, a total of \$ 360,667 (2017 - \$ 360,667) towards the pledged amount.

### 17. Financial risks

#### 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.

#### 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.

#### 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.

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# The British Columbia Lions Society

## For Children With Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2018

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17. **Financial risks** - continued

**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.

**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.