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The British Columbia Lions Society  
For Children with Disabilities  
Consolidated Financial Statements  
September 30, 2019

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## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### Qualified Opinion

We have audited the consolidated financial statements of The British Columbia Lions Society For Children with Disabilities (the "Society"), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as at September 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2019 and 2018, current assets as at September 30, 2019 and 2018, and net assets as at October 1 and September 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended September 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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 7, 2019

**Chartered Professional Accountants**

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# The British Columbia Lions Society

## For Children with Disabilities

Consolidated Statement of Financial Position  
September 30, 2019


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	2019	2018
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	17,517	156,702
Accounts receivable	279,005	156,909
Prepaid expenses	<u>15,367</u>	<u>18,825</u>
	311,889	332,436
Investments (Note 3)	1,485,357	1,433,151
Capital assets (Note 4)	<u>2,049,852</u>	<u>2,123,200</u>
	3,847,098	3,888,787
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness	357,000	-
Accounts payable and accrued liabilities (Note 6)	203,546	184,115
Current portion of long-term debt (Note 7)	150,000	150,000
Current portion of capital lease obligation (Note 8)	4,802	5,762
Deferred revenue (Note 9)	<u>13,259</u>	<u>266,457</u>
	728,607	606,334
Long-term debt (Note 7)	1,975,000	2,125,000
Capital lease obligations (Note 8)	-	4,803
Deferred capital contributions (Note 10)	<u>684,244</u>	<u>782,546</u>
	3,387,851	3,518,683
Pledge commitment (Note 16)		
<b>Net assets</b>		
Restricted for endowments (Note 11)	426,989	424,641
Unrestricted net assets	<u>32,258</u>	<u>(54,537)</u>
	459,247	370,104
	3,847,098	3,888,787

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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**

# The British Columbia Lions Society For Children with Disabilities

Consolidated Statement of Operations  
Year ended September 30, 2019

	2019	2018
	\$	\$
		(Note 18)
Revenue		
Programs		
Camp program and rentals	348,421	344,731
Easter Seal House	<u>1,088,743</u>	<u>999,204</u>
	1,437,164	1,343,935
Donations from general public (Notes 12 and 13)	1,022,359	1,244,466
Government grant	255,000	95,000
Special events (Note 12)	634,519	504,315
Lotteries	3,926	4,509
Lions and other service clubs gaming donations	231,045	184,979
Direct access funds from BC Gaming Commission	220,000	220,000
Amortization of deferred capital contributions (Note 10)	152,286	196,513
Investment income (Note 3)	<u>84,114</u>	<u>100,068</u>
	<u>4,040,413</u>	<u>3,893,785</u>
Expenses		
Programs		
Camps (Note 14)	1,114,339	950,133
Easter Seal House (Note 14)	923,128	910,897
Program development	<u>68,927</u>	<u>-</u>
	2,106,394	1,861,030
Campaigns and public relations (Note 12)	543,778	461,193
Special events (Note 12)	487,013	384,638
Lotteries	-	828
Administration (Note 14)	438,947	451,271
Amortization of capital assets	269,668	332,815
Interest	<u>96,466</u>	<u>106,552</u>
	<u>3,942,266</u>	<u>3,598,327</u>
Excess of revenue over expenses before undernoted	98,147	295,458
Gain on sale of capital assets	-	4,000
Loss on disposal of capital asset	<u>(11,352)</u>	<u>-</u>
Excess of revenue over expenses	86,795	299,458

*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, 2019

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	Restricted for endowments \$	Unrestricted \$	2019 Total \$	2018 Total \$
Net assets, beginning of year	424,641	(54,537)	370,104	66,396
Excess of revenue over expenses		86,795	86,795	299,458
Endowment contributions	<u>2,348</u>	<u>-</u>	<u>2,348</u>	<u>4,250</u>
Net assets, end of year	426,989	32,258	459,247	370,104

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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, 2019

	2019	2018
	\$	\$
Cash flows from (used in) operating activities		
Excess of revenue over expenses	86,795	299,458
Items not involving cash		
Amortization of capital assets	269,668	332,815
Amortization of deferred capital contributions	(152,286)	(196,513)
Gain on sale of capital assets	-	(4,000)
Loss on disposal of capital asset	11,352	-
Unrealized gain on investments	(20,029)	(10,000)
Changes in non-cash working capital		
Accounts receivable	(122,096)	139,421
Prepaid expenses	3,458	77,611
Accounts payable and accrued liabilities	19,431	(111,734)
Deferred revenue	(253,198)	230,348
	<u>(156,905)</u>	<u>757,406</u>
Cash flows from (used in) investing activities		
Investments purchased	(591,799)	(1,254,428)
Proceeds on sale of investments	559,622	1,482,124
Capital assets acquired	(207,672)	(131,700)
Proceeds on sale of capital assets	-	4,000
	<u>(239,849)</u>	<u>99,996</u>
Cash flows from (used in) financing activities		
Repayment of long-term debt	(150,000)	(150,000)
Repayment of capital lease obligations	(5,763)	(5,763)
Receipt of capital contributions	53,984	81,305
Endowment contributions received	2,348	4,250
	<u>(99,431)</u>	<u>(70,208)</u>
Increase (decrease) in cash during the year	(496,185)	787,194
Cash and cash equivalents (bank indebtedness), beginning of year	<u>156,702</u>	<u>(630,492)</u>
Cash and cash equivalents (bank indebtedness), end of year	(339,483)	156,702
Cash and cash equivalents	17,517	156,702
Bank indebtedness	(357,000)	-

*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, 2019

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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, 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 \$ 86,795, contributing to unrestricted net assets of \$ 32,258 and had a working capital deficit of \$ 416,718. 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, 2019

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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, 2019

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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.

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	2019	2018
	\$	\$
Money market funds, measured at fair value	91,703	60,644
Fixed income investments, measured at amortized cost	906,236	899,002
Equity investments, measured at fair value	<u>487,418</u>	<u>473,505</u>
	1,485,357	1,433,151

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

	2019	2018
	\$	\$
Interest and dividends	38,898	41,858
Realized gain	25,187	48,210
Unrealized gain	<u>20,029</u>	<u>10,000</u>
	84,114	100,068

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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2019

4. Capital assets	2019		2018	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	822,819	-	822,819	822,819
Buildings	7,821,409	6,840,915	980,494	1,188,518
Furniture and equipment	3,516,098	3,444,684	71,414	100,753
Transportation vehicles	836	528	308	837
Assets under capital lease	30,819	26,150	4,669	10,273
Development in progress	170,148	-	170,148	-
	12,362,129	10,312,277	2,049,852	2,123,200

Development in progress is not amortized until the property is placed into service, at which time the property will be transferred to its appropriate asset category and amortization will commence.

As of September 30, 2019, the Society has incurred \$ 170,184 of professional, development and construction costs related to the project, which has been recorded as development in progress.

### 5. Line of credit

The available operating line at September 30, 2019 consists of a bank operating line of credit of \$750,000. As at September 30, 2019, \$357,000 (2018 - \$ 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).

### 6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities as at September 30, 2019 are government remittances payable of \$ 9,248 (2018 - \$ 5,320) relating to payroll taxes, health taxes and workers' safety insurance premiums.

7. Long-term debt	2019	2018
	\$	\$
Non-revolving loan, due November 15, 2020, payable to Bank of Nova Scotia in 13 equal monthly instalments of principal of \$ 12,500 plus interest at a fixed rate of 3.93%.	2,125,000	2,275,000
Current portion of long-term debt	150,000	150,000
	1,975,000	2,125,000

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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2019

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### 7. Long-term debt - continued

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, 2019 is as follows:

	\$
2020	150,000
2021	<u>1,975,000</u>
	<u>2,125,000</u>

### 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, 2020	<u>5,201</u>
Total minimum lease payments	5,201
Less amount representing interest	<u>399</u>
Present value of net minimum capital lease payments	<u>4,802</u>
Current portion of obligations under capital lease	<u>4,802</u>

Interest of \$ 399 (2018 - \$ 479) 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 \$ 26,150.

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# The British Columbia Lions Society

## For Children with Disabilities

Notes to the Consolidated Financial Statements  
Year ended September 30, 2019

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9.	Deferred revenue	2019	2018
		\$	\$
	Balance, beginning of year	266,457	36,109
	Amounts received during the year	7,685	263,450
	Amounts recognized to revenue during the year	<u>(260,883)</u>	<u>(33,102)</u>
	Balance, end of year	<u>13,259</u>	<u>266,457</u>
10.	Deferred capital contributions	2019	2018
		\$	\$
	Balance, beginning of year	782,546	897,754
	Amounts received during the year	53,984	81,305
	Amounts recognized to revenue during the year	<u>(152,286)</u>	<u>(196,513)</u>
	Balance, end of year	<u>684,244</u>	<u>782,546</u>

The balance includes an aggregate unspent amount of \$ 39,706 (2018 - \$ 19,665) contributed for the purpose 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 \$ 416,234 (2018 - \$ 417,636) and restricted cash of \$ 10,755 (2018 - \$ 7,005).

### 12. Donations in kind

During the year, the Society received various donated services and materials valued at \$ 301,579 (2018 - \$ 246,890) 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 \$ 157,365 (2018 - \$ 421,796). This amount is included in donations from the 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, 2019

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### 14. General support expenses

Human resources and Society operating expenses of \$ 821,534 (2018 - \$ 860,957) have been allocated per Note 2 as follows:

	Allocated percentage %	2019 \$	2018 \$
Administration	53	438,947	451,271
Easter Seal House	27	221,255	236,887
Camps	<u>20</u>	<u>161,332</u>	<u>172,799</u>
	100	821,534	860,957

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

During the year, the Society paid total remuneration of \$ 348,129 (2018 - \$ 414,307) to four employees, each of whom received total annual remuneration of \$ 75,000 or greater.

The Chairperson resigned from the Board to temporarily fill the role of Interim President and CEO and was paid \$ 39,720 for services rendered.

### 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, 2019, the Society has paid, or otherwise been credited through joint fundraising events with a total of \$ 360,667 (2018 - \$ 360,667) towards the pledged amount.

### 17. Financial risks

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

#### 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 and has a line of credit 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, 2019

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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 cash flow risk as a result of investments in bonds, money market funds and its line of credit. The risk associated with investments is managed through the Society established Investment Policy. The fixed rate long-term debt exposes the Society to a fair value risk, since fair value fluctuates inversely to changes in the market interest rates.

#### 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 an allowance for any amounts that are not collectable.

### 18. Comparative figures

Certain 2018 figures have been reclassified to conform to the presentation used in the current year.