

TB VETS CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

30 SEPTEMBER 2017

TB VETS CHARITABLE FOUNDATION

Financial Statements

For the Year Ended 30 September 2017

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INDEPENDENT AUDITORS' REPORT

To the Directors of,
TB Vets Charitable Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of TB Vets Charitable Foundation, which comprise the statement of financial position as at 30 September 2017 and the statement of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



INDEPENDENT AUDITORS' REPORT - Continued

Basis for Qualified Opinion

In common with other charitable organizations, the Foundation 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 Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of TB Vets Charitable Foundation as at 30 September 2017 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
9 January 2018

TB VETS CHARITABLE FOUNDATION
Statement of Financial Position
 30 September 2017

	General Fund		Bequest Fund		Capital Fund		TB Vets Legacy Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Current										
Cash	83,805	138,416	-	-	-	-	-	-	83,805	138,416
Term deposit	200,000	200,000	-	-	-	-	-	-	200,000	200,000
Marketable securities (Note 4)	-	-	664,835	639,119	-	-	1,305,479	1,254,039	1,970,314	1,893,158
Accounts receivable	14,993	13,453	2,534	3,203	-	-	-	-	17,527	16,656
GST receivable	12,061	12,305	-	-	-	-	-	-	12,061	12,305
Prepaid expenses	21,709	22,459	-	-	-	-	-	-	21,709	22,459
	332,568	386,633	667,369	642,322	-	-	1,305,479	1,254,039	2,305,416	2,282,994
Tangible capital assets (Note 5)	-	-	-	-	36,162	40,150	-	-	36,162	40,150
	332,568	386,633	667,369	642,322	36,162	40,150	1,305,479	1,254,039	2,341,578	2,323,144
Liabilities and Fund Balances										
Liabilities										
Accounts payable and accrued liabilities	50,101	76,736	-	-	-	-	-	-	50,101	76,736
Government remittances payable	4,821	6,048	-	-	-	-	-	-	4,821	6,048
	54,922	82,784	-	-	-	-	-	-	54,922	82,784
Commitments (Note 6)										
Fund Balances										
Externally restricted	-	-	-	-	-	-	1,305,479	1,254,039	1,305,479	1,254,039
Internally restricted	-	-	667,369	642,322	36,162	40,150	-	-	703,531	682,472
Unrestricted	277,646	303,849	-	-	-	-	-	-	277,646	303,849
	277,646	303,849	667,369	642,322	36,162	40,150	1,305,479	1,254,039	2,286,656	2,240,360
	332,568	386,633	667,369	642,322	36,162	40,150	1,305,479	1,254,039	2,341,578	2,323,144

APPROVED BY THE DIRECTORS:

 Director

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

TB VETS CHARITABLE FOUNDATION
Statement of Operations and Changes in Fund Balances
For the Year Ended 30 September 2017

	General Fund		Bequest Fund		Appropriated Awards Fund		Capital Fund		TB Vets Legacy Fund		Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Revenues											
Donations	1,437,198	1,245,185	27,055	2,114	-	-	-	-	-	-	1,464,253
Operating expenses	465,903	431,098	-	-	-	-	-	-	-	-	431,098
Campaign costs	77,310	79,007	-	-	-	-	-	-	-	-	79,007
Payroll	543,213	510,105	-	-	-	-	-	-	-	-	543,213
Excess of revenues over operating expenses	893,985	735,080	27,055	2,114	-	-	-	-	-	-	921,040
Other revenue											
Investment income (Note 7)	67,856	92,017	29,024	42,726	-	-	-	-	-	-	96,880
Excess of revenues over expenses before general and administrative expenses	961,841	827,097	56,079	44,840	-	-	-	-	-	-	1,017,920
General and administrative expenses											
Payroll	151,434	203,003	-	-	-	-	-	-	-	-	151,434
Professional fees	93,878	71,958	-	-	-	-	-	-	-	-	93,878
Building and maintenance	64,077	63,783	-	-	-	-	-	-	-	-	64,077
Office	34,019	32,968	-	-	-	-	-	-	-	-	34,019
Interest, bank charges and management fees	8,448	8,009	3,977	3,790	-	-	-	-	-	-	12,425
Insurance	6,971	7,200	-	-	-	-	-	-	-	-	6,971
Marketing	8,154	6,621	-	-	-	-	-	-	-	-	8,154
Expense recoveries	(12,542)	(12,047)	-	-	-	-	-	-	-	-	(12,542)
Amortization	-	-	-	-	-	-	8,279	33,888	-	-	33,888
	354,439	381,495	3,977	3,790	-	-	8,279	33,888	-	-	366,695
Excess (deficiency) of revenues over expenses	607,402	445,602	52,102	41,050	-	-	(8,279)	(33,888)	-	-	651,225
Grants awarded	-	-	-	-	604,929	427,654	-	-	-	-	604,929
Excess (deficiency) of revenues over expenses and grants	607,402	445,602	52,102	41,050	(604,929)	(427,654)	(8,279)	(33,888)	-	-	46,296
Fund balances - beginning of year	303,849	378,226	642,322	603,386	-	-	40,150	56,823	1,254,039	1,176,815	2,240,360
Interfund transfers	(633,605)	(519,979)	(27,055)	(2,114)	604,929	427,654	4,291	17,215	51,440	77,224	-
Fund balances - end of year	277,646	303,849	667,369	642,322	-	-	36,162	40,150	1,305,479	1,254,039	2,286,656

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

TB VETS CHARITABLE FOUNDATION**Statement of Cash Flows****For the Year Ended 30 September 2017**

	2017	2016
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses	\$ 651,225	\$ 452,764
Items not involving cash		
Adjustment to market value of marketable securities	(31,913)	(73,937)
Realized loss on sale of marketable securities	955	626
Amortization	8,279	33,888
	<u>628,546</u>	<u>413,341</u>
Changes in non-cash working capital balances		
Accounts receivable	(871)	(2,239)
GST receivable	244	398
Prepaid expenses	750	(4,471)
Accounts payable and accrued liabilities	(26,635)	24,451
Government remittances payable	(1,227)	452
	<u>600,807</u>	<u>431,932</u>
Investing activities		
Purchase of marketable securities - net	(46,198)	(42,490)
Purchase of tangible capital assets	(4,291)	(17,215)
Redemption of term deposit	-	180,000
	<u>(50,489)</u>	<u>120,295</u>
Financing activities		
Grants paid	(604,929)	(427,654)
	<u>(604,929)</u>	<u>(427,654)</u>
Net increase (decrease) in cash	(54,611)	124,573
Cash - beginning of year	138,416	13,843
	<u>138,416</u>	<u>13,843</u>
Cash - end of year	\$ 83,805	\$ 138,416

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

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

1. Organization

TB Vets Charitable Foundation (the "Foundation") was incorporated under the Societies Act of British Columbia as a registered charitable public foundation on 26 February 1997. The Foundation, as a charitable public foundation, is exempt from income tax, providing certain requirements are met.

The Foundation raises funds to support respiratory wellness throughout British Columbia. Annual grants are authorized for such things as (but not limited to): life-saving respiratory equipment for hospitals and health centres; scientific respiratory research; bursaries for respiratory therapist education; search and rescue respiratory equipment; asthma youth day camps; and recreational therapy programs for respiratory patients in long term isolated care. There is an established annual grant submission program which is overseen by health professionals who make recommendations to the Foundation's Board of Directors.

The following is a brief description of the Foundation's funds and their sources of revenues:

General Fund

The General Fund reports donation revenue and expenses related to the keytag program and administration.

Bequest Fund

Income generated by the Bequest Fund investments is pledged, on behalf of the benefactors of the bequests, as annual grants and bursaries for certain organizations. The excess portion of the investment income earned is retained in the account.

Appropriated Awards Fund

The Foundation is approached by various organizations requesting grants that are in general agreement with the aims and objectives of the Foundation. The requests received are evaluated by a sub-committee of the Board of Directors who provide recommendations to the Board.

Capital Fund

The Capital Fund reports amortization and other changes in tangible capital assets.

TB Vets Legacy Fund

The Tuberculous and Chest Disabled Veterans' Association transferred \$1 million to the Foundation for the purpose of establishing the TB Vets Legacy Fund, an externally restricted permanent endowment fund which is being held in marketable securities. The Foundation will be responsible for managing the Fund and disbursing the income of the Fund in accordance with its objectives. Investment income and changes in the fair market value of the investments are recognized in the general fund.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) **Basis of Accounting**

The General Fund is unrestricted and records all operational activities of the Foundation. The Appropriated Awards Fund is externally restricted under the requirements of the Foundation's charitable registration. The TB Vets Legacy Fund is externally restricted as described in Note 1. The Bequest Fund and the Capital Fund are internally restricted.

(b) **Financial Instruments**

i. **Measurement of Financial Instruments**

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market and fixed income securities, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, term deposit and accounts receivable. Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

ii. **Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

iii. **Transaction Costs**

The Foundation recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

2. Summary of Significant Accounting Policies - continued

(c) Revenue Recognition

The Foundation follows the restricted fund method of accounting for donations. Restricted and unrestricted donations are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on temporary investments are included in investment income and recognized as revenue in the statement of operations. Unrestricted investment income is recognized as revenue when earned.

(d) Tangible Capital Assets

Equipment is recorded at cost and amortized over its estimated useful life at the following annual rates:

Computer equipment	20%	declining balance
Office equipment	20%	declining balance
Leasehold improvements		over the life of the lease

Acquisitions during the year are amortized at one-half of the above rate.

The Foundation tests long-lived assets for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value and the loss is recorded in the period when it is determined. The Foundation assesses fair value based on discounted future cash flows. No impairment losses were determined by management to be necessary for the year.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Accounts subject to significant estimates include amortization on equipment, and accrued liabilities. Management believes that the estimates utilized in preparing the financial statements are reasonable, however, actual results could differ from those estimates.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

2. Summary of Significant Accounting Policies - continued

(f) Cash and Cash Equivalents

The Foundation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity of three months or less from the date of acquisition.

(g) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in Canadian dollars at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the exchange rate prevailing at the statement of financial position date. Exchange gains or losses are recorded in the statement of operations for the period.

3. Financial Instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at the statement of financial position date, 30 September 2017.

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and government remittances payable. The Foundation manages liquidity risk by maintaining adequate cash and highly liquid investments. There has been no change in the risk exposure from the prior year.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has investments denominated in U.S. dollars. As such, these investments are exposed to foreign exchange fluctuations. There has been no change in the risk exposure from the prior year.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

3. Financial Instruments - continued

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk. There has been no change in the risk exposure from the prior year.

(e) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its marketable securities. There has been no change in the risk exposure from the prior year.

4. Marketable Securities

	2017		2016	
	Cost	Market Value	Cost	Market Value
TB Vets Legacy Fund	\$ 1,151,639	\$ 1,305,479	\$ 1,120,056	\$ 1,254,039
Bequest Fund	607,864	664,835	594,673	639,119
	<u>\$ 1,759,503</u>	<u>\$ 1,970,314</u>	<u>\$ 1,714,729</u>	<u>\$ 1,893,158</u>

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2017	2016
Office equipment	\$ 33,649	\$ 24,574	\$ 9,075	\$ 11,343
Computer equipment	51,389	24,302	27,087	28,807
Leasehold improvements	104,674	104,674	-	-
	<u>\$ 189,712</u>	<u>\$ 153,550</u>	<u>\$ 36,162</u>	<u>\$ 40,150</u>

TB VETS CHARITABLE FOUNDATION**Notes to the Financial Statements****For the Year Ended 30 September 2017**

6. Commitments

- (a) The Foundation and the Tuberculous and Chest Disabled Veterans' Association (the "Association") entered into a five year joint lease agreement beginning on 1 October 2011 which was subsequently extended for an additional five years commencing on 1 October 2016 for the Vancouver office. The Foundation sub-leases a portion of this office space to the Royal Canadian Legion Branch 44 and utilizes 100% of the remaining space. The related rent expense is recorded in these financial statements accordingly.

The gross future minimum operating lease payments for the Vancouver office and equipment are as follows:

2018	\$	49,641
2019		50,800
2020		51,973
2021		53,161
2022		<u>447</u>
	\$	<u>206,022</u>

- (b) The Foundation has committed to providing future grants to certain non-profit organizations in accordance with its objectives as described in Note 1. The specific grant amounts are determined on an annual basis and are at the discretion of the Board of Directors.

7. Investment Income

	<u>2017</u>	<u>2016</u>
Interest income	\$ 35,505	\$ 34,077
Realized loss on sale of marketable securities	(955)	(626)
Unrealized gain on market value of marketable securities	31,913	73,937
Investment income	<u>30,417</u>	<u>27,355</u>
	<u>\$ 96,880</u>	<u>\$ 134,743</u>

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 30 September 2017

8. Related Party

The Foundation's by-laws require that all members of the Foundation's board of directors also be members of the Royal Canadian Legion T.V.S. Branch 44 ("Branch 44") and that the president of Branch 44 also holds the position of vice-president of the Foundation's board of directors. Due to these changes to the Foundation's by-laws, the Foundation and Branch 44 are considered related parties.

9. New British Columbia Societies Act

The new British Columbia Societies Act ("new Act") came into effect 28 November 2016. The new Act requires a society (other than a society designated as a member-funded society) to include, in its financial statements, the disclosure of any remuneration paid to its directors, and remuneration paid to employees and contractors earning more than \$75,000 during the fiscal year. For the fiscal year ended 30 September 2017 included in wages and salaries is one employee with remuneration over \$75,000. The total paid to this individual was \$96,689. No remuneration was paid to members of the Board of Directors for the 2017 fiscal year.