
**ADOPTIVE FAMILIES ASSOCIATION
OF BRITISH COLUMBIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**





INDEPENDENT AUDITORS' REPORT

To the Members of the Adoptive Families Association of British Columbia (the "Association")

Report on the Financial Statements

We have audited the accompanying financial statements of the Adoptive Families Association of British Columbia, which comprise the statement of financial position as at March 31, 2018, and the statement of operations and changes in fund balances, and statement of 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 our 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, we consider internal controls relevant to the Association'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.

Basis for Qualified Opinion

In common with many charitable organizations, the Association 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 Association and we were unable to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, total assets as at March 31, 2018 and 2017, and net assets at both the beginning and end of March 31, 2018 and 2017 years. The audit opinion on the financial statements for the year ended March 31, 2017 also contained a qualification because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible 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 the Adoptive Families Association of British Columbia as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Adoptive Families Association of British Columbia
Statement of Financial Position
As at March 31

	Unrestricted Funds 2018	Restricted Funds 2018	Total 2018	Total 2017
ASSETS				
Current assets				
Cash and term deposits	\$ 67,366	\$ 781,508	\$ 848,874	\$ 1,053,575
Accounts receivable	158,000	-	158,000	19,923
Interest receivable	779	-	779	1,003
Goods and services tax receivable	7,749	-	7,749	6,052
Prepaid expenses	39,821	-	39,821	22,135
Portfolio investments	170,724	544,800	715,524	698,461
	<u>444,439</u>	<u>1,326,308</u>	<u>1,770,747</u>	<u>1,801,149</u>
Capital assets (Note 5)	3,492	-	3,492	9,143
Endowment fund (Note 9)	-	16,557	16,557	15,000
	<u>\$ 447,931</u>	<u>\$ 1,342,865</u>	<u>\$ 1,790,796</u>	<u>\$ 1,825,292</u>

LIABILITIES

Current liabilities				
Accounts payable and accrued liabilities	\$ 108,365	\$ -	\$ 108,365	\$ 78,274
Bursary fund (Note 7)	-	33,310	33,310	27,245
Deferred revenue	170,417	18,933	189,350	180,408
Externally restricted projects (Note 8)	-	713,609	713,609	742,158
	<u>278,782</u>	<u>765,852</u>	<u>1,044,634</u>	<u>1,028,085</u>

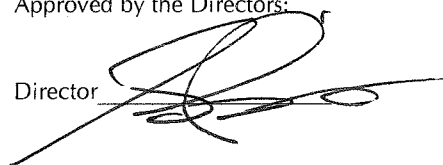
FUND BALANCES

Internally restricted (Note 9)	-	577,013	577,013	583,585
Unrestricted	169,149	-	169,149	213,622
	<u>169,149</u>	<u>577,013</u>	<u>746,162</u>	<u>797,207</u>
	<u>\$ 447,931</u>	<u>\$ 1,342,865</u>	<u>\$ 1,790,796</u>	<u>\$ 1,825,292</u>

Commitments (Note 10)

Approved by the Directors:

Director



Director




Adoptive Families Association of British Columbia
Statement of Operations and Changes in Fund Balances
Year Ended March 31

	Unrestricted Funds 2018	Restricted Funds 2018	Total 2018	Total 2017
Revenues				
Service contract	\$ 934,907	\$ 10,036	\$ 944,943	\$ 799,687
Project grants	20,950	313,839	334,789	323,130
Education and support activities	238,928	13,450	252,378	234,978
Wendy's Wonderful Kids	-	149,548	149,548	162,840
Donations	116,306	29,182	145,488	254,422
Direct Access Gaming	105,376	-	105,376	105,131
Sublet rent	27,263	-	27,263	31,838
Interest and investment income (Note 4)	5,175	20,405	25,580	64,087
Membership dues	10,844	-	10,844	14,452
Other income	6,106	-	6,106	9,201
Special events	-	-	-	7,450
	<u>1,465,855</u>	<u>536,460</u>	<u>2,002,315</u>	<u>2,007,216</u>
Expenses				
Program Services				
Provincial adoption support	818,926	24,495	843,421	727,378
Parent education, training and resource centre	294,134	-	294,134	272,766
Wendy's Wonderful Kids	286	149,548	149,834	164,298
Community awareness	85,534	-	85,534	121,511
Teen adoption recruitment and support	71,315	2,000	73,315	107,720
Post adoption counselling and support	20,506	-	20,506	27,655
	<u>1,290,701</u>	<u>176,043</u>	<u>1,466,744</u>	<u>1,421,328</u>
Project Costs				
Program projects	-	307,808	307,808	329,031
Event costs	-	-	-	7,164
	<u>-</u>	<u>307,808</u>	<u>307,808</u>	<u>336,195</u>
Support Services				
Fundraising	154,762	-	154,762	160,147
Management and administration	100,095	25,508	125,603	106,137
	<u>254,857</u>	<u>25,508</u>	<u>280,365</u>	<u>266,284</u>
	<u>1,545,558</u>	<u>509,359</u>	<u>2,054,917</u>	<u>2,023,807</u>
Excess (deficiency) of revenues over expenses	\$ (79,703)	\$ 27,101	\$ (52,602)	\$ (16,591)
Fund balances, beginning of year				
Current year's excess (deficiency)	(79,703)	27,101	(52,602)	(16,591)
Interfund transfer - restricted funds	-	-	-	-
excess of revenue over expenses	27,101	(27,101)	-	-
Interfund transfer	8,129	(8,129)	-	-
Endowment fund	-	1,557	1,557	7,500
Fund balances, end of year	\$ 169,149	\$ 577,013	\$ 746,162	\$ 797,207



Adoptive Families Association of British Columbia

Statement of Cash Flows

Year Ended March 31

	2018	2017
Operating activities		
Current year's deficiency of revenue over expenses	\$ (52,602)	\$ (16,591)
Item not affecting cash:		
Amortization	8,796	12,909
Change in non-cash working capital balances		
Accounts receivable	(138,077)	245,983
Interest receivable	224	1,835
Goods and services tax receivable	(1,697)	8,397
Prepaid expenses	(17,686)	(493)
Accounts payable and accrued liabilities	30,091	17,227
Bursary fund	6,065	3,805
Deferred revenue	8,942	30,665
Externally restricted projects	(28,549)	(13,161)
	<u>(184,493)</u>	<u>290,576</u>
Investing activities		
Investment in portfolio investments	(17,063)	(54,707)
Purchase of capital assets	(3,145)	(7,620)
Investment in Endowment fund	-	(7,500)
	<u>(20,208)</u>	<u>(69,827)</u>
Increase (decrease) in cash and cash equivalents during the year	(204,701)	220,749
Cash and cash equivalents, beginning of year	1,053,575	832,826
Cash and cash equivalents, end of year	<u>\$ 848,874</u>	<u>\$ 1,053,575</u>
Cash and cash equivalents consist of:		
Cash	\$ 517,226	\$ 863,295
Term deposits	331,648	190,280
	<u>\$ 848,874</u>	<u>\$ 1,053,575</u>



Adoptive Families Association of British Columbia

Notes to the Financial Statements

Year Ended March 31, 2018

1. Purpose of the organization

Adoptive Families Association of British Columbia (the "Association") was incorporated under the Society Act of British Columbia and transitioned to the British Columbia Societies Act on July 26, 2017 and is a registered charity under the Income Tax Act (Canada). The Association is a province-wide not-for-profit society which offers information, education and support to families and individuals involved in adoption.

2. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook.

(b) Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting following the deferral method of accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the funders, donors or in accordance with directives issued by the Board of Directors ("the Board").

Transfers between the funds are made when they are considered appropriate and when they are authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective fund. These interfund transfers are reported in the statement of changes in fund balances.

Revenue and expenses related to externally restricted projects and programs are reported in Restricted Funds. Internally Restricted Funds, segregated funds established by the Board, and related investment income are also reported in Restricted Funds (Note 9). All other revenue and expenses including those related to ongoing programs and services are reported in Unrestricted Funds.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term deposits which are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(d) Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Membership dues are recorded as revenue in the year to which they relate.

The Association benefits greatly from donated services in the form of volunteer time, the value of which is not determinable. Donated services are consequently not recognized in these financial statements.

The Association records contributed materials and services at their fair value when fair value is readily determinable and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

Investment income includes dividend and interest income and realized and unrealized investment gains and losses.



Adoptive Families Association of British Columbia

Notes to the Financial Statements

Year Ended March 31, 2018

2. Significant accounting policies, continued

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization over the estimated useful life on a straight-line basis at the following rates:

Office equipment and computers	3 years
Leasehold improvements	3 years

The Association monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs recognized under this policy are not reversed.

(f) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, the determination of the useful lives of assets for calculating amortization, deferred revenue, externally restricted projects, and the amounts recorded as accrued liabilities.

(g) Financial instruments

Measurement

The Association's financial instruments consist of cash and term deposits, accounts receivable, interest receivable, portfolio investments and accounts payable.

The Association initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Association subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of equity instruments carried at fair value are recognized in the statement of operations.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, 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 in the period in which it is determined.

(h) Portfolio investments

The Association's investment policy is to invest with sound and prudent investment management principles. Investments for the portfolio will be based on the requirement for safety, growth, yield and liquidity in that order of importance. The policy directs that this is to be accomplished by investing in a diversified portfolio which includes cash equivalents, common stocks, bonds and alternative investments that will allow for the portfolio to achieve the rate of return goal at an appropriate level of risk. Portfolio investments are recorded at fair market value.



Adoptive Families Association of British Columbia

Notes to the Financial Statements

Year Ended March 31, 2018

3. Financial instruments risks

The Association's financial instruments are described in Note 2(g). In management's opinion the Association is not exposed to significant credit, currency, liquidity, interest rate or other market risk arising from these financial statements, other than as described below. In addition, the Association is not exposed to any material concentrations of risk and there has been no change in risk exposures from the prior year.

(a) Currency risk

Currency risk is the risk to the Association's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash and investments held in U.S. dollars. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) 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 Association is mainly exposed to the volatility of returns from changes in investment markets. The concentration of the market risk is predominately with the balances held in portfolio investments. The Association mitigates this risk through its investment policy and the diversification of its investments.

4. Interest and investment income

	2018		2017	
Interest and dividend income	\$	19,995	\$	20,198
Interest on term deposits		1,927		2,192
Realized gains		6,223		1,527
Unrealized gains (losses)		(2,565)		40,170
	\$	25,580	\$	64,087

5. Capital assets

	2018		2018		2018		2017	
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net	Net	
Office equipment and computers	\$	70,211	\$	68,663	\$	1,548	\$	6,913
Leasehold improvements		30,817		28,873		1,944		2,230
	\$	101,028	\$	97,536	\$	3,492	\$	9,143

Included in expenditures for the year ended March 31, 2018 is amortization of \$8,796 (2017 - \$12,909). The amortization has been prorated and included as an expense to each program.



Adoptive Families Association of British Columbia
Notes to the Financial Statements
Year Ended March 31, 2018

6. Line of credit

As at March 31, 2018, the Association has a \$100,000 line of credit available with a Canadian Chartered Bank ("the Bank"). The line of credit bears interest at the Bank's prime rate plus 1% per annum. No amount was drawn on this credit facility at March 31, 2018 and at March 31, 2017. Subsequent to year end, the Association closed their line of credit account and applied for an overdraft up to a maximum of \$10,000.

7. Bursary fund

The Association has received externally restricted contributions for the Howard Legacy Youth Bursary fund as follows:

	2018	2017
Opening balance	\$ 27,245	\$ 23,440
Donations	8,065	5,805
Bursaries paid out	(2,000)	(2,000)
	<u>\$ 33,310</u>	<u>\$ 27,245</u>

8. Externally restricted projects

The Association has received externally restricted funds to carry out specific projects that will be spent in a future period. The projects relate to the following programs:

	2018	2017
Education	\$ 328,381	\$ 331,315
Youth, including Agedout.com services	366,518	268,033
Recruitment	13,061	106,521
Family support and home studies	5,649	36,289
	<u>\$ 713,609</u>	<u>\$ 742,158</u>



Adoptive Families Association of British Columbia
Notes to the Financial Statements
Year Ended March 31, 2018

9. Internally restricted funds

	Endowment fund	Operating contingency fund	AFABC youth bursary fund	Family camp fund	Victoria Foundation endowment fund	2018	2017
Opening balance	\$ 169,800	\$ 375,000	\$ 14,260	\$ 9,525	\$ 15,000	\$ 583,585	\$ 549,062
Investment income	3,396	-	-	-	1,557	4,953	13,323
Bursaries paid out	-	-	(2,000)	-	-	(2,000)	(2,000)
Camp income	-	-	-	13,450	-	13,450	-
Camp expenses	-	-	-	(24,495)	-	(24,495)	(1,800)
Transfers	-	-	-	1,520	-	1,520	17,500
Donation received	-	-	-	-	-	-	7,500
Closing balance	\$ 173,196	\$ 375,000	\$ 12,260	\$ -	\$ 16,557	\$ 577,013	\$ 583,585

Funds for the endowment fund and operating contingency fund are held in portfolio investments.

Funds for the youth bursary fund and family camp fund are held in term deposits.

Funds for the Victoria Foundation endowment fund are held in trust by the Victoria Foundation. The Victoria Foundation is one of the oldest community foundations and is a registered charity in Canada which manages charitable gifts to create permanent, income-earning funds that support charities locally in British Columbia and across Canada.

10. Commitments

The Association had a lease for its office premises in Burnaby, British Columbia which expired on February 28, 2018. The Association is currently in negotiation for a new lease and continues on a month-to-month basis for approximately \$5,701 per month.

11. Economic dependence

The Association receives its service contract revenue of \$975,964 (2017 - \$799,687) from the Province of British Columbia, Ministry of Children and Family Development ("the Ministry"). The Association has a client services agreement with the Ministry effective from April 1, 2016 through to March 31, 2021.

12. Related party transactions

During the year the following related party transaction expenses occurred:

Online services totalling \$10,685 (2017 - \$5,843) were provided by a company owned by a family member of a former director of the Board. The director resigned November 2017.

Consulting fees totalling \$2,583 (2017 - \$Nil) were provided by a company owned by a director of the Board.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.



Adoptive Families Association of British Columbia
Notes to the Financial Statements
Year Ended March 31, 2018

13. Employee remuneration

Wages and employee benefits expense for the year includes one employee that earned over \$75,000, for a total of \$85,470 (2017 - two employees totalling \$163,328).

14. Comparative figures

Certain comparative figures have been reclassified to ensure comparability with the presentation adopted for the current year. Such reclassification does not have any effect on the previous amounts reported for excess (deficiency) of revenue over expenses, and total assets, liabilities, and fund balances.

The comparative figures were audited by another firm of accountants.





INDEPENDENT AUDITORS' REPORT, continued

Comparative Information

The comparative figures were audited by another firm of accountants, whose audit report dated May 31, 2017 included the same qualification as described above in the Basis for Qualified Opinion paragraph.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Association's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, B.C.
May 30, 2018