

**TB VETS CHARITABLE FOUNDATION**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2018**

# **TB VETS CHARITABLE FOUNDATION**

## **Financial Statements**

For the Year Ended 30 September 2018

### **Contents**

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## INDEPENDENT AUDITORS' REPORT

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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 2018 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.



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## INDEPENDENT AUDITORS' REPORT - Continued

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### 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 2018 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  
22 January 2019

**TB VETS CHARITABLE FOUNDATION**  
**Statement of Financial Position**  
 30 September 2018

	General Fund		Request Fund		Capital Fund		TB Vets Legacy Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>										
<b>Current</b>										
Cash	143,776	83,805	-	-	-	-	-	-	143,776	83,805
Term deposit	200,000	200,000	-	-	-	-	-	-	200,000	200,000
Marketable securities (Note 4)	-	-	712,360	664,835	-	-	1,398,454	1,305,479	2,110,814	1,970,314
Accounts receivable	13,680	14,993	2,624	2,534	-	-	-	-	16,304	17,527
GST receivable	9,561	12,061	-	-	-	-	-	-	9,561	12,061
Prepaid expenses	22,321	21,709	-	-	-	-	-	-	22,321	21,709
	<b>389,338</b>	<b>332,568</b>	<b>714,984</b>	<b>667,369</b>	<b>-</b>	<b>-</b>	<b>1,398,454</b>	<b>1,305,479</b>	<b>2,502,776</b>	<b>2,305,416</b>
<b>Tangible capital assets (Note 5)</b>										
	-	-	-	-	28,930	36,162	-	-	28,930	36,162
	<b>389,338</b>	<b>332,568</b>	<b>714,984</b>	<b>667,369</b>	<b>28,930</b>	<b>36,162</b>	<b>1,398,454</b>	<b>1,305,479</b>	<b>2,531,706</b>	<b>2,341,578</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable and accrued liabilities	48,057	50,101	-	-	-	-	-	-	48,057	50,101
Government remittances payable	6,339	4,821	-	-	-	-	-	-	6,339	4,821
	<b>54,396</b>	<b>54,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,396</b>	<b>54,922</b>
<b>Commitments (Note 6)</b>										
<b>Fund Balances</b>										
Externally restricted	-	-	-	-	-	-	1,398,454	1,305,479	1,398,454	1,305,479
Internally restricted	-	-	714,984	667,369	28,930	36,162	-	-	743,914	703,531
Unrestricted	334,942	277,646	-	-	-	-	-	-	334,942	277,646
	<b>334,942</b>	<b>277,646</b>	<b>714,984</b>	<b>667,369</b>	<b>28,930</b>	<b>36,162</b>	<b>1,398,454</b>	<b>1,305,479</b>	<b>2,477,310</b>	<b>2,286,656</b>
	<b>389,338</b>	<b>332,568</b>	<b>714,984</b>	<b>667,369</b>	<b>28,930</b>	<b>36,162</b>	<b>1,398,454</b>	<b>1,305,479</b>	<b>2,531,706</b>	<b>2,341,578</b>

APPROVED BY THE DIRECTORS:

\_\_\_\_\_ Director

\_\_\_\_\_ 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 2018

	General Fund		Request Fund		Appropriated Awards Fund		Capital Fund		TB Vets Legacy Fund		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>											
Donations	1,380,053	1,437,198	8,204	27,055	-	-	-	-	-	-	1,388,257
Operating expenses											
Campaign costs	366,286	465,903	-	-	-	-	-	-	-	-	366,286
Payroll	80,823	77,310	-	-	-	-	-	-	-	-	80,823
	447,109	543,213	-	-	-	-	-	-	-	-	447,109
Excess of revenues over operating expenses	932,944	893,985	8,204	27,055	-	-	-	-	-	-	941,148
Other revenue											
Investment income (Note 7)	109,155	67,856	51,775	29,024	-	-	-	-	-	-	160,930
Excess of revenues over expenses before general and administrative expenses	1,042,099	961,841	59,979	56,079	-	-	-	-	-	-	1,102,078
General and administrative expenses											
Payroll	141,141	151,434	-	-	-	-	-	-	-	-	141,141
Professional fees	92,597	93,878	-	-	-	-	-	-	-	-	92,597
Building and maintenance	68,454	64,077	-	-	-	-	-	-	-	-	68,454
Office	37,798	34,019	-	-	-	-	-	-	-	-	37,798
Interest, bank charges and management fees	9,275	8,448	4,160	3,977	-	-	-	-	-	-	13,435
Insurance	7,312	6,971	-	-	-	-	-	-	-	-	7,312
Marketing	300	8,154	-	-	-	-	-	-	-	-	300
Expense recoveries (Note 8)	(12,730)	(12,542)	-	-	-	-	-	-	-	-	(12,730)
Amortization	-	-	-	-	-	-	7,232	8,279	-	-	7,232
	344,147	354,439	4,160	3,977	-	-	7,232	8,279	-	-	355,539
Excess (deficiency) of revenues over expenses	697,952	607,402	55,819	52,102	-	-	(7,232)	(8,279)	-	-	746,539
Grants awarded	-	-	-	-	555,885	604,929	-	-	-	-	555,885
Excess (deficiency) of revenues over expenses and grants	697,952	607,402	55,819	52,102	(555,885)	(604,929)	(7,232)	(8,279)	-	-	190,654
Fund balances - beginning of year	277,646	303,849	667,369	642,322	-	-	36,162	40,150	1,305,479	1,254,039	2,286,656
Interfund transfers	(640,656)	(633,605)	(8,204)	(27,055)	555,885	604,929	-	4,291	92,975	51,440	-
Fund balances - end of year	334,942	277,646	714,984	667,369	-	-	28,930	36,162	1,398,454	1,305,479	2,477,310

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

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**TB VETS CHARITABLE FOUNDATION****Statement of Cash Flows****For the Year Ended 30 September 2018**

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	2018	2017
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 746,539	\$ 651,225
Items not involving cash		
Adjustment to market value of marketable securities	(92,932)	(31,913)
Realized (gain) loss on sale of marketable securities	(1,872)	955
Amortization	7,232	8,279
	<u>658,967</u>	<u>628,546</u>
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	1,223	(871)
GST receivable	2,500	244
Prepaid expenses	(612)	750
Accounts payable and accrued liabilities	(2,043)	(26,635)
Government remittances payable	1,518	(1,227)
	<u>661,553</u>	<u>600,807</u>
<b>Investing activities</b>		
Purchase of marketable securities - net	(45,697)	(46,198)
Purchase of tangible capital assets	-	(4,291)
	<u>(45,697)</u>	<u>(50,489)</u>
<b>Financing activities</b>		
Grants paid	(555,885)	(604,929)
<b>Net increase (decrease) in cash</b>	<b>59,971</b>	<b>(54,611)</b>
<b>Cash - beginning of year</b>	<b>83,805</b>	<b>138,416</b>
<b>Cash - end of year</b>	<b>\$ 143,776</b>	<b>\$ 83,805</b>

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

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**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 30 September 2018**

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**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.



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**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 30 September 2018**

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**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.

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**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 30 September 2018**

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**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. 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.

**(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.

**(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.

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**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 30 September 2018**

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**2. Summary of Significant Accounting Policies - continued**

**(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.

**(h) Impairment of Long-lived Assets**

The Foundation tests long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recovered. When a tangible capital asset or intangible asset no longer contributes to the services provided by the Foundation its carrying value amount is written down to its residual value. No impairment losses were determined by management to be necessary for the year.

**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 2018.

**(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 2018**

**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**

	2018		2017	
	Cost	Market Value	Cost	Market Value
TB Vets Legacy Fund	\$ 1,210,828	\$ 1,398,454	\$ 1,151,639	\$ 1,305,479
Bequest Fund	629,470	712,360	607,864	664,835
	<b>\$ 1,840,298</b>	<b>\$ 2,110,814</b>	<b>\$ 1,759,503</b>	<b>\$ 1,970,314</b>

**5. Tangible Capital Assets**

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
Office equipment	\$ 33,649	\$ 26,389	\$ 7,260	\$ 9,075
Computer equipment	51,389	29,719	21,670	27,087
Leasehold improvements	104,674	104,674	-	-
	<b>\$ 189,712</b>	<b>\$ 160,782</b>	<b>\$ 28,930</b>	<b>\$ 36,162</b>

**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 30 September 2018**

**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, equipment and software are as follows:

2019	\$	80,889
2020		73,733
2021		74,921
2022		<u>447</u>
	\$	<u>229,990</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 Foundation's fixed funding commitments as of 30 September 2018 are as follows:

2019	\$	125,600
2020		80,600
2021		80,600
2022		<u>80,600</u>
	\$	<u>367,400</u>

**7. Investment Income**

	2018	2017
Interest income	\$ 30,925	\$ 35,505
Realized gain (loss) on sale of marketable securities	1,872	(955)
Unrealized gain on market value of marketable securities	92,932	31,913
Investment income	<u>35,201</u>	<u>30,417</u>
	<u>\$ 160,930</u>	<u>\$ 96,880</u>

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## TB VETS CHARITABLE FOUNDATION

### Notes to the Financial Statements

For the Year Ended 30 September 2018

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#### 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 or delegate of Branch 44 also holds the position of vice-president of the Foundation's board of directors. In addition, the members of the Foundation and of Branch 44 are all in common and certain members of the Branch 44 executive committee are also members of the Foundation's board of directors. Due to the Foundation's by-laws and the crossover in both organizations' memberships and members of the board of directors, the Foundation and Branch 44 are considered related parties.

The Foundation rents a portion of its office space to Branch 44 and during the year, \$12,730 (2017 - \$12,542) of rent was charged. These transactions were in the normal course of operations and were measured at the exchange value established and agreed by the related parties.

#### 9. British Columbia Societies Act

The British Columbia Societies 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 2018 included in wages and salaries is one employee with remuneration over \$75,000. The total paid to this individual was \$89,937. No remuneration was paid to members of the Board of Directors for the 2018 fiscal year.