
FINANCIAL STATEMENTS

**D.S.R.F. DOWN SYNDROME
RESEARCH FOUNDATION**

(operating as Down Syndrome Research Foundation)

December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of
D.S.R.F. Down Syndrome Research Foundation

Qualified Opinion

We have audited the financial statements of D.S.R.F. Down Syndrome Research Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018 and 2017, and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the 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 the report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years 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 Foundation derives revenue from donations and 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising and events revenue, excess of revenues (expenses), and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

We conducted our audits 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 Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audits of the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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:

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the 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 Foundation'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 Foundation'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 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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 British Columbia Societies Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

Tompkins Wozny LLP

Vancouver, Canada
March 20, 2019

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

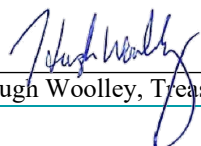
As at December 31


	2018				2017	
	Operating Fund \$	Capital Fund \$	Internally Restricted \$	Externally Restricted \$	Total \$	Total \$
ASSETS						
Current						
Cash and cash equivalents <i>[note 3]</i>	147,214	—	20,000	15,631	182,845	80,402
Accounts receivable <i>[note 4]</i>	83,408	—	—	—	83,408	118,401
Prepaid expenses	28,158	—	—	—	28,158	45,893
Total current assets	258,780	—	20,000	15,631	294,411	244,696
Property and equipment <i>[note 5]</i>	—	2,646,799	—	—	2,646,799	2,700,840
	258,780	2,646,799	20,000	15,631	2,941,210	2,945,536
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities <i>[note 6]</i>	89,892	—	—	—	89,892	81,152
Deferred grants and revenue	44,139	—	—	15,631	59,770	165,736
Current portion of mortgage payable <i>[note 8]</i>	—	—	—	—	—	36,585
Total current liabilities	134,031	—	—	15,631	149,662	283,473
Deferred contributions related to property and equipment <i>[note 9]</i>	—	1,065,962	—	—	1,065,962	1,111,434
Total liabilities	134,031	1,065,962	—	15,631	1,215,624	1,394,907
NET ASSETS	124,749	1,580,837	20,000	—	1,725,586	1,550,629
	258,780	2,646,799	20,000	15,631	2,941,210	2,945,536

Lease commitment *[note 13]*

See accompanying notes to the financial statements

On behalf of the Board:


 Director (Hugh Woolley, Treasurer)


 Director (David Whittle, Audit Committee Chair)

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Operating Fund \$	Capital Fund \$	Internally Restricted \$	Externally Restricted \$	Total \$
2018					
Excess of revenue (expenses) for the year	186,577	(34,310)	—	22,690	174,957
Balance (deficit), beginning of year	(2,192)	1,552,821	—	—	1,550,629
Purchase of capital assets	(25,741)	25,741	—	—	—
Mortgage repayments	(36,585)	36,585	—	—	—
Transfer to operating fund	22,690	—	—	(22,690)	—
Internally restricted for contingency reserve	(20,000)	—	20,000	—	—
Balance, end of year	124,749	1,580,837	20,000	—	1,725,586
2017					
Excess of revenue (expenses) for the year	(27,855)	(24,280)	—	22,915	(29,220)
Balance, beginning of year	120,121	1,459,728	—	—	1,579,849
Purchase of capital assets	(78,485)	78,485	—	—	—
Mortgage repayments	(38,888)	38,888	—	—	—
Transfer to operating fund	22,915	—	—	(22,915)	—
Balance (deficit), end of year	(2,192)	1,552,821	—	—	1,550,629

See accompanying notes to the financial statements

STATEMENT OF REVENUE AND EXPENSES

Year ended December 31

	2018	2017
	\$	\$
REVENUE		
Donations, fundraising and events <i>[note 11]</i>	650,095	515,319
Up the Down Market Dinner ("UDMD") events	562,488	530,154
Program and information services	473,694	564,671
Direct access gaming	175,000	167,000
Grants	134,682	74,356
Deferred contributions amortization <i>[note 9]</i>	45,472	45,565
Interest and other	721	271
	2,042,152	1,897,336
Direct fundraising costs - UDMD events	(218,599)	(208,065)
Grants paid to qualified charities <i>[note 14]</i>	(33,750)	(27,140)
	1,789,803	1,662,131
EXPENSES		
Salaries and benefits <i>[note 12]</i>	1,127,455	1,122,491
Amortization	79,782	69,845
Fundraising and events	62,493	67,884
Utilities and occupancy	61,186	67,749
Program and information services	59,374	150,883
Provision for doubtful receivables	42,138	—
Computers and network	30,745	27,564
Office	29,426	34,718
Bank and processing charges	28,710	25,573
Property taxes	27,915	29,171
Insurance	21,072	20,266
Professional fees	16,126	49,530
Advertising and promotion	11,977	9,445
Education	6,670	8,300
Fees, dues and memberships	5,419	2,506
Interest	1,900	2,535
Travel and other	1,535	1,834
Website	923	1,057
	1,614,846	1,691,351
Excess of revenue (expenses) for the year	174,957	(29,220)

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended December 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue (expenses) for the year	174,957	(29,220)
Items not affecting cash		
Amortization expenses	79,782	69,845
Deferred contributions amortization	(45,472)	(45,565)
Change in other non-cash items		
Accounts receivable	34,993	(29,377)
Prepaid expenses	17,735	(10,199)
Accounts payable and accrued liabilities	8,740	(33,001)
Deferred grants and revenue	(105,966)	(35,421)
Cash provided by (used in) operating activities	164,769	(112,938)
FINANCING ACTIVITIES		
Mortgage repayments	(36,585)	(38,889)
Cash used in financing activities	(36,585)	(38,889)
INVESTING ACTIVITIES		
Purchase of capital assets	(25,741)	(78,484)
Cash used in investing activities	(25,741)	(78,484)
Increase (decrease) in cash during the year	102,443	(230,311)
Cash and cash equivalents, beginning of year	80,402	310,713
Cash and cash equivalents, end of year	182,845	80,402

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. NATURE OF OPERATIONS

D.S.R.F. Down Syndrome Research Foundation (the "Foundation") is a not-for-profit organization and registered charity, incorporated under the British Columbia Societies Act, whose mission is to empower individuals with Down syndrome to reach their full potential throughout life by pioneering and providing educational programs and services, disseminating information, and changing attitudes. The Foundation is exempt from income taxes.

The work of the Foundation is supported financially by funding from individuals, corporate and government grants, program revenues and provincial gaming revenue allocations.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian ASNPO 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 date of the financial statements and the amounts of revenue and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, in particular as it relates to useful lives of property and equipment and the determination of the deferred portion of grants. Actual results could differ from these estimates.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions and has the following four funds:

- a) The Operating Fund reports the general fundraising, program delivery and administrative activities. This fund reports unrestricted resources.
- b) The Capital Fund reports the assets, liabilities, revenues and expenses related to the Foundation's land, building and equipment and related fundraising activities.
- c) The Internally Restricted fund represents a contingency reserve for operations.
- d) The Externally Restricted fund reports the restricted research and travel grants and the net proceeds from the "A Night to Remember" event.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Restricted contributions are initially reflected as a liability and 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. Donations in-kind are only recognized when the fair value is reasonably determinable and significant, with such items recorded at the fair value on the date of contribution.

Pledged donations not yet collected are recorded as an asset only if received within the month following the fiscal year.

Direct access gaming revenues are taken into income as the funds are received or receivable if the funding is assured and applies to the current fiscal year.

Designated donations relating to building costs and other capital assets, except land, are transferred to deferred contributions relating to property and equipment as they are expended. These amounts are taken into income of the Capital Fund as the related capital assets are amortized.

All other revenues are recorded as earned or as the services are provided.

Contributed Services

Volunteers contribute time to assist the Foundation in its operations. However, because of the difficulty associated with determining the fair value of these services, they are not recognized in the financial statements.

Measurement of Financial Instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, cash equivalents (term deposits), and accounts receivable and are tested for impairment when there are indicators of 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 net income. 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 net income.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the year-end. Cash equivalents are defined as any term deposits or similar contractual instruments that are readily cashable.

Property and Equipment

Property and equipment are recorded at cost, less accumulated amortization. Furniture and equipment is amortized at 20%, computers are amortized at 30%, and software at 50% on a declining balance basis. Amortization on the building commenced in 2003, on a straight-line basis over 40 years. Amortization is provided at one-half the normal rate in the year of acquisition.

3. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash	157,845	55,402
Term deposits (interest at 0.90% - 1.05%)	25,000	25,000
	182,845	80,402

4. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Operations	120,075	113,664
Government receivable - GST	5,471	4,737
	125,546	118,401
Allowance for doubtful accounts	(42,138)	—
	83,408	118,401

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

5. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2018			
Computers	149,138	137,398	11,740
Furniture and equipment	119,822	108,751	11,071
Software	79,566	56,230	23,336
Land	1,200,000	—	1,200,000
Building	2,330,023	929,371	1,400,652
	3,878,549	1,231,750	2,646,799
2017			
Computers	137,702	134,817	2,885
Furniture and equipment	119,822	105,984	13,838
Software	65,262	40,047	25,215
Land	1,200,000	—	1,200,000
Building	2,330,023	871,121	1,458,902
	3,852,809	1,151,969	2,700,840

The property and equipment are pledged in support of the Foundation's loans and mortgage payable [notes 7 and 8].

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Operations	50,002	50,923
Wages and vacation	38,231	28,222
Government remittances - WorkSafeBC	1,659	2,007
	89,892	81,152

7. DEMAND OPERATING LOAN

The Foundation has a demand operating loan facility of \$250,000 at the Royal Bank of Canada, bearing interest at 4.95%. No amount was drawn on this facility at December 31, 2018 [2017 - \$Nil].

The loan is supported by a general security agreement covering all the assets of the Foundation, and demand collateral mortgages in the amount of \$900,000 supported by a first charge against the Foundation's land and building.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

8. MORTGAGE PAYABLE

	2018	2017
	\$	\$
Payable in monthly payments of \$3,391 including interest at 3.13% one-year	—	36,585
Less: current portion	—	(36,585)
	—	—

The mortgage was paid in full and discharged on November 30, 2018.

9. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

	2018	2017
	\$	\$
Balance, beginning of year	1,111,434	1,156,999
Transfer to revenue	(45,472)	(45,565)
Balance, end of year	1,065,962	1,111,434

The deferred contributions represent contributions received in prior years that were designated for the Foundation's building or equipment. These contributions have been deferred and are being amortized to income over the estimated useful life of the building and equipment.

10. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis presents the Foundation's exposures to significant risk as at December 31, 2018.

Credit Risk

Credit risk is the risk that the Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Foundation is minimally exposed to credit risk with respect to its cash and accounts receivable. The Foundation also provides credit related to programs and events, and where costs are recoverable from third parties, the Foundation is subject to the risk that such amounts will not be collected.

The Foundation handles its credit risk by extending credit only to parties or individuals who are able to pay, and regularly reviews and adjusts its accounts receivable to reflect estimated realizable value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

10. FINANCIAL INSTRUMENTS (CONT'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's operating demand loans [note 7] and mortgage payable [note 8] are subject to periodic interest rate review. Changes in the bank's prime lending rate or other rates can cause fluctuations in interest payments and cash flows. The Foundation does not use derivative financial instruments to alter the effects of this risk.

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due.

The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities to ensure that funds are available to meet payments as they fall due. The Foundation also has available a demand operating loan [note 7].

11. IN-KIND DONATIONS

During the year, in-kind donations of financial securities were received and immediately sold with a fair market value of \$100,737 [2017 - \$101,180] and are included in donations, fundraising and events revenue.

12. EMPLOYEE REMUNERATION

Pursuant to the British Columbia Societies Act, the Foundation is required to disclose wages and benefits paid to employees who are paid \$75,000 or more during the fiscal year.

During the year, three [2017 - two] employees collectively earned \$286,117 in wages [2017 - \$161,853]. This amount is included in salaries and benefits expense.

No amounts were paid to any members of the Board.

13. LEASE COMMITMENT

The Foundation had entered into a lease agreement at 13737 96th Avenue, Surrey, B.C., expiring November 1, 2019. The Foundation is required to pay minimum annual lease payments of \$11,988 plus operating costs, parking fees and applicable taxes. The Foundation has an option to extend the term of the lease for an additional three years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

14. GRANTS PAID TO QUALIFIED CHARITIES

The Foundation partners with RT21, a Montreal-based Down syndrome charity, to host a fundraising event that supports delivery of programs and services by each organization. Under agreement, the Foundation provides a portion of the event's proceeds to RT21 as a grant.

15. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to the current year presentation.