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**FINANCIAL STATEMENTS**

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

**(operating as Down Syndrome Research Foundation)**

**December 31, 2017**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of D.S.R.F. Down Syndrome Research Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 Foundation'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 Foundation'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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, D.S.R.F. Down Syndrome Research 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 D.S.R.F. Down Syndrome Research Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly 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 D.S.R.F. Down Syndrome Research Foundation as at December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

### ***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 29, 2018

Chartered Professional Accountants



**Tompkins Wozny**  
Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2017			2016	
	Endowment	Capital	Operating	Total	Total
	Fund	Fund	Fund		
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current</b>					
Cash and cash equivalents <i>[note 3]</i>	95,649	—	(15,247)	80,402	310,713
Accounts receivable <i>[note 4]</i>	—	—	118,401	118,401	89,024
Prepaid expenses	—	—	45,893	45,893	35,694
<b>Total current assets</b>	<b>95,649</b>	<b>—</b>	<b>149,047</b>	<b>244,696</b>	<b>435,431</b>
Property and equipment <i>[note 5]</i>	—	2,700,840	—	2,700,840	2,692,201
	<b>95,649</b>	<b>2,700,840</b>	<b>149,047</b>	<b>2,945,536</b>	<b>3,127,632</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities <i>[note 6]</i>	—	—	81,152	81,152	114,153
Deferred contributions	—	—	165,736	165,736	201,157
Current portion of mortgage payable <i>[note 8]</i>	—	36,585	—	36,585	40,518
<b>Total current liabilities</b>	<b>—</b>	<b>36,585</b>	<b>246,888</b>	<b>283,473</b>	<b>355,828</b>
Mortgage payable <i>[note 8]</i>	—	—	—	—	34,956
Deferred contributions related to property and equipment <i>[note 9]</i>	—	1,111,434	—	1,111,434	1,156,999
<b>Total liabilities</b>	<b>—</b>	<b>1,148,019</b>	<b>246,888</b>	<b>1,394,907</b>	<b>1,547,783</b>
<b>NET ASSETS (Deficit)</b>	<b>95,649</b>	<b>1,552,821</b>	<b>(97,841)</b>	<b>1,550,629</b>	<b>1,579,849</b>
	<b>95,649</b>	<b>2,700,840</b>	<b>149,047</b>	<b>2,945,536</b>	<b>3,127,632</b>

Lease commitment *[note 13]*

See accompanying notes to the financial statements

On behalf of the Board:

*Signed: "Hugh Woolley"*  
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 Director

*Signed: "David Whittle"*  
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 Director

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Endowment Fund \$	Capital Fund \$	Operating Fund \$	Total \$
<b>2017</b>				
Excess of expenses for the year	—	(24,280)	(4,940)	(29,220)
<b>Balance, beginning of year</b>	<b>95,649</b>	<b>1,459,728</b>	<b>24,472</b>	<b>1,579,849</b>
Interfund transfers	—	117,373	(117,373)	—
<b>Balance (deficit), end of year</b>	<b>95,649</b>	<b>1,552,821</b>	<b>(97,841)</b>	<b>1,550,629</b>
<b>2016</b>				
Excess of revenue (expenses) for the year	—	(14,211)	60,737	46,526
<b>Balance, beginning of year</b>	—	1,474,638	58,685	1,533,323
Interfund transfers	95,649	(699)	(94,950)	—
<b>Balance, end of year</b>	<b>95,649</b>	<b>1,459,728</b>	<b>24,472</b>	<b>1,579,849</b>

See accompanying notes to the financial statements

STATEMENT OF REVENUE AND EXPENSES

Year ended December 31

	2017			2016	
	Endowment	Capital	Operating	Total	Total
	Fund	Fund	Fund		
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
Program and information services	—	—	564,671	564,671	358,259
Up the Down Market Dinner ("UDMD") events	—	—	530,154	530,154	472,004
Donations, fundraising and events <i>[note 11]</i>	—	—	515,319	515,319	515,473
Direct access gaming	—	—	167,000	167,000	165,000
Grants	—	—	74,356	74,356	62,360
Deferred contributions amortization <i>[note 9]</i>	—	45,565	—	45,565	45,686
Interest	—	—	271	271	307
	—	45,565	1,851,771	1,897,336	1,619,089
Direct fundraising costs - UDMD events	—	—	(208,065)	(208,065)	(194,843)
Grants paid to qualified charities	—	—	(27,140)	(27,140)	(26,936)
	—	45,565	1,616,566	1,662,131	1,397,310
<b>EXPENSES</b>					
Salaries and benefits <i>[note 12]</i>	—	—	1,122,491	1,122,491	910,205
Program and information services	—	—	150,883	150,883	53,938
Amortization	—	69,845	—	69,845	59,897
Fundraising and events	—	—	67,884	67,884	77,685
Utilities and occupancy	—	—	67,749	67,749	62,971
Professional fees	—	—	49,530	49,530	11,285
Office	—	—	34,718	34,718	30,144
Property taxes	—	—	29,171	29,171	27,877
Computers and network	—	—	27,564	27,564	37,707
Bank and processing charges	—	—	25,573	25,573	23,844
Insurance	—	—	20,266	20,266	20,005
Advertising and promotion	—	—	9,445	9,445	13,225
Education	—	—	8,300	8,300	8,484
Interest	—	—	2,535	2,535	2,968
Fees, dues and memberships	—	—	2,506	2,506	2,816
Travel and other	—	—	1,834	1,834	4,943
Website	—	—	1,057	1,057	2,790
	—	69,845	1,621,506	1,691,351	1,350,784
<b>Excess of revenue (expenses) for the year</b>	—	(24,280)	(4,940)	(29,220)	46,526

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year ended December 31

	2017			2016	
	Endowment	Capital	Operating	Total	Total
	Fund	Fund	Fund		
	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Excess of revenue (expenses) for the year	—	(24,280)	(4,940)	(29,220)	46,526
Items not affecting cash					
Amortization expenses	—	69,845	—	69,845	59,897
Deferred contributions amortization	—	(45,565)	—	(45,565)	(45,686)
Change in other non-cash items					
Accounts receivable	—	—	(29,377)	(29,377)	137,467
Prepaid expenses	—	—	(10,199)	(10,199)	(8,487)
Accounts payable and accrued liabilities	—	—	(33,001)	(33,001)	42,700
Deferred grants and revenue	—	—	(35,421)	(35,421)	62,082
<b>Cash provided by (used in) operating activities</b>	<b>—</b>	<b>—</b>	<b>(112,938)</b>	<b>(112,938)</b>	<b>294,499</b>
<b>FINANCING ACTIVITIES</b>					
Inter-fund transfers	—	117,373	(117,373)	—	—
Mortgage repayments	—	(38,889)	—	(38,889)	(39,294)
<b>Cash provided by (used in) financing activities</b>	<b>—</b>	<b>78,484</b>	<b>(117,373)</b>	<b>(38,889)</b>	<b>(39,294)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of capital assets	—	(78,484)	—	(78,484)	(55,656)
<b>Cash used in investing activities</b>	<b>—</b>	<b>(78,484)</b>	<b>—</b>	<b>(78,484)</b>	<b>(55,656)</b>
<b>Increase (decrease) in cash during the year</b>	<b>—</b>	<b>—</b>	<b>(230,311)</b>	<b>(230,311)</b>	<b>199,549</b>
Cash and cash equivalents, beginning of year	95,649	—	215,064	310,713	111,164
<b>Cash and cash equivalents (overdraft), end of year</b>	<b>95,649</b>	<b>—</b>	<b>(15,247)</b>	<b>80,402</b>	<b>310,713</b>

See accompanying notes to the financial statements

## **NOTES TO FINANCIAL STATEMENTS**

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December 31, 2017

### **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 capital assets 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 three funds:

- a) The Endowment Fund reports the resources contributed for endowment purposes.
- 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 Operating Fund reports the general fundraising, program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

Restricted contributions for programs are initially reflected as a liability and are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund 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.

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2017

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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.

**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.



**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2017

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

The statement of cash flows is prepared on a net cash basis and cash flows from operating and investing activities are presented using the indirect method.

**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**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash	<b>55,402</b>	285,713
Term deposits (interest at 0.90% - 1.05%)	<b>25,000</b>	25,000
	<b>80,402</b>	310,713

**4. ACCOUNTS RECEIVABLE**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Operations	<b>113,664</b>	84,584
Government receivable - GST	<b>4,737</b>	4,440
	<b>118,401</b>	89,024
Allowance for doubtful accounts	—	—
	<b>118,401</b>	89,024

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

5. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net Book Value \$
<b>2017</b>			
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
	<b>3,852,809</b>	<b>1,151,969</b>	<b>2,700,840</b>
<b>2016</b>			
Computers	137,702	133,580	4,122
Furniture and equipment	111,415	103,575	7,840
Software	31,642	31,642	—
Land	1,200,000	—	1,200,000
Building	2,293,565	813,326	1,480,239
	<b>3,774,324</b>	<b>1,082,123</b>	<b>2,692,201</b>

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

	2017 \$	2016 \$
Operations	50,923	94,641
Wages and vacation	28,222	18,068
Government remittances - WorkSafeBC	2,007	1,444
	<b>81,152</b>	<b>114,153</b>

7. DEMAND OPERATING LOAN

The Foundation has a demand operating loan facility of \$250,000 at the Royal Bank of Canada, bearing interest at 4.20%. \$Nil was drawn on this facility at December 31, 2017 [2016 - \$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

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December 31, 2017

**8. MORTGAGE PAYABLE**

	2017	2016
	\$	\$
Payable in monthly payments of \$3,391 including interest at 3.13% one-year	36,585	75,474
Less: current portion	(36,585)	(40,518)
	—	34,956

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**9. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT**

	2017	2016
	\$	\$
<b>Balance, beginning of year</b>	<b>1,156,999</b>	1,202,685
Transfer to revenue	(45,565)	(45,686)
<b>Balance, end of year</b>	<b>1,111,434</b>	1,156,999

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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, 2017.

**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

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December 31, 2017

### 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 with a fair market value of \$105,159 [2016 - \$106,293] and are included in donations, fundraising and events revenue.

### 12. EMPLOYEE REMUNERATION

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

During the year, two employees collectively earned \$161,853 in wages [2016 - \$173,040]. This amount is included in salaries and benefits expense.

### 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.

### 14. COMPARATIVE FIGURES

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