

**WATARI RESEARCH ASSOCIATION
(OPERATING AS WATARI COUNSELLING & SUPPORT SERVICES SOCIETY)**

Financial Statements

Year Ended March 31, 2013

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AUDITORS' REPORT

To the Directors of Watari Research Association (operating as Watari Counselling & Support Services Society):

We have audited the accompanying financial statements of Watari Research Association (operating as Watari Counselling & Support Services Society) which comprise the balance sheet as at March 31, 2013, 2012 and April 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and 2012, and notes comprising 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 Non-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 Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Watari Research Association (operating as Watari Counselling & Support Services Society) receives 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 Watari Research Association (operating as Watari Counselling & Support Services Society) and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenditures, assets and net assets.

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 Watari Research Association (operating as Watari Counselling & Support Services Society) as at March 31, 2013, 2012 and April 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian Standards for Not-for-Profit Organizations.

Vancouver, British Columbia
June 19, 2013

"Buckley Dodds Parker LLP"
Chartered Accountants

**WATARI RESEARCH ASSOCIATION
(OPERATING AS WATARI COUNSELLING & SUPPORT SERVICES SOCIETY)**

Balance Sheet

As at March 31, 2013

	2013 March 31	2012 March 31	2011 April 1
ASSETS			
CURRENT			
Cash	\$ 74,852	\$ 142,378	\$ -
Term deposit	58,578	55,714	55,702
Accounts receivable	60,879	23,513	201,501
Due from employees	3,779	5,535	4,103
HST Receivable	18,354	14,220	11,964
Prepaid expenses	15,645	8,246	20,359
	<u>232,087</u>	<u>249,606</u>	<u>293,629</u>
PROPERTY, PLANT & EQUIPMENT <i>(Note 5)</i>	<u>26,258</u>	<u>36,485</u>	<u>47,318</u>
	<u>\$ 258,345</u>	<u>\$ 286,091</u>	<u>\$ 340,947</u>
LIABILITIES AND NET ASSETS			
CURRENT			
Bank overdraft	\$ -	\$ -	96
Accounts payable and accrued liabilities	30,210	27,538	40,926
Bank loans payable <i>(Note 6)</i>	25,000	1,108	13,108
Deferred grants and contracts <i>(Note 7)</i>	187,151	175,226	112,375
	<u>242,361</u>	<u>203,872</u>	<u>166,505</u>
NET ASSETS			
Available for operations	(10,274)	45,734	127,124
Invested in capital assets	26,258	36,485	47,318
	<u>15,984</u>	<u>82,219</u>	<u>174,442</u>
	<u>\$ 258,345</u>	<u>\$ 286,091</u>	<u>\$ 340,947</u>

ON BEHALF OF THE BOARD

“Calvin Tompkins” _____ Director
“Martin Mayer” _____ Director

**WATARI RESEARCH ASSOCIATION
(OPERATING AS WATARI COUNSELLING & SUPPORT SERVICES SOCIETY)**

Statement of Operations and Changes in Net Assets

Year Ended March 31, 2013

	2013	2012
REVENUE		
Vancouver Coastal Health Authority	\$ 1,035,535	\$ 1,124,107
Vancouver Aboriginal Children & Family Services Society	146,608	130,866
Vancouver Foundation	8,415	128,500
City of Vancouver	61,182	75,720
Law Foundation of B.C.	77,025	70,000
Ministry of Solicitor General and Public Safety of B.C.	68,425	68,727
Donations in-kind	25,087	35,490
Other grants, donations and miscellaneous income	34,724	31,926
Service contracts	14,959	24,298
Cash donations	20,297	9,820
BC Gaming	24,206	-
Sanctuary for Kids	20,000	15,000
SpencerCreo Foundation	100,000	-
	<u>1,636,463</u>	<u>1,714,454</u>
EXPENSES		
Wages and benefits	1,118,553	1,059,965
Contract services	169,075	195,806
Program expenses and service costs	192,922	185,621
Bad debts	-	150,000
Rent and other occupancy costs	113,370	112,377
Office supplies and administration	41,350	47,107
Telecommunications	23,042	20,703
Amortization	10,226	14,921
Accounting and audit	9,918	9,601
Staff travel	4,308	4,104
Staff development	6,517	2,939
Equipment and miscellaneous repairs	1,531	1,794
Fundraising	1,739	1,739
Website	10,147	-
	<u>1,702,698</u>	<u>1,806,677</u>
EXCESS OF EXPENSES OVER REVENUE	\$ (66,235)	\$ (92,223)
NET ASSETS, BEGINNING OF YEAR	<u>82,219</u>	<u>174,442</u>
NET ASSETS, END OF YEAR	<u><u>\$ 15,984</u></u>	<u><u>\$ 82,219</u></u>

**WATARI RESEARCH ASSOCIATION
(OPERATING AS WATARI COUNSELLING & SUPPORT SERVICES SOCIETY)**

Statement of Cash Flows

Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ (66,235)	\$ (92,223)
Non-cash items:		
Amortization	10,227	14,921
Changes in non-cash working capital		
Accounts receivable	(37,366)	177,987
Due from employees	1,756	(1,432)
HST receivable	(4,134)	(2,256)
Prepaid expenses	(7,399)	12,113
Accounts payable and accrued liabilities	2,672	(13,388)
Wages and benefits payable	-	-
Deferred grants and contracts	11,925	62,851
Cash flow from (used by) operating activities	<u>(88,554)</u>	<u>158,573</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(4,087)
Term deposit	(2,864)	(12)
Cash flow used by investing activities	<u>(2,864)</u>	<u>(4,099)</u>
FINANCING ACTIVITIES		
Bank loans payable	23,892	(12,096)
Cash flow from (used by) financing activities	<u>23,892</u>	<u>(12,096)</u>
INCREASE (DECREASE) IN CASH FLOWS	(67,526)	142,378
CASH - Beginning of year	<u>142,378</u>	<u>-</u>
CASH - End of year	\$ 74,852	\$ 142,378
Cash paid for:		
Interest paid	<u>\$ 1,441</u>	<u>\$ 340</u>

**WATARI RESEARCH ASSOCIATION
(OPERATING AS WATARI COUNSELLING & SUPPORT SERVICES SOCIETY)**

Notes to the financial statements

March 31, 2013

1. NATURE OF OPERATIONS

The Watari Research Association, operating as Watari Counselling & Support Services Society, (the "Society") is a not-for-profit society incorporated under the laws of the Province of British Columbia. The Society is a registered charitable organization and is therefore exempt from Federal and Provincial income taxes.

The Society's mission is to provide innovative services that support positive change for high-risk populations and their communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Use of estimates

In accordance with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported. The most significant estimates in these financial statements include accruals for services rendered but not yet invoiced.

Revenue recognition

The organization follows the deferral method for accounting for contributions such as charitable donations. Under this method restricted contributions are recognized in the year the corresponding expenditure is incurred and unrestricted contributions are recognized in the year they are pledged if they are deemed to be reasonably collectible.

Measurement uncertainty

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Contributions in kind

Contributions in kind for goods and services are recognized when fair values can be reasonably estimated and when the goods and services are used in the normal course of the Society's operations and would otherwise have been purchased. Because of the difficulty in determining their fair value, services contributed by volunteers are not recognized in the financial statements.

**WATARI RESEARCH ASSOCIATION
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Notes to the financial statements

March 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and bank loans payable.

Property, Plant and Equipment

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized over their estimated useful lives as follows:

Office equipment and furniture	20% declining balance
Computer equipment	30% – 100% declining balance
Vehicles	30% declining balance

The provision for amortization is reduced by one-half in the year of acquisition.

3. CHANGE IN ACCOUNTING FRAMEWORK

These financial statements are the first financial statements for which the Society has applied Canadian accounting standards for not-for-profit organizations

The financial statements for the year ended March 31, 2013 and 2012 were prepared in accordance with the accounting principles and provisions set out in Section 1501 of the Canadian Institute of Chartered Accountants (CICA) Handbook, *First-time Adoption by Not-for-Profit Organizations*, for first-time adopters of this basis of accounting.

The impact of adopting these standards had no impact on the Society's excess of expenses over revenue for the years ended March 31, 2013 or 2012, or on net assets at the date of transition, April 1, 2011.

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Notes to the financial statements

March 31, 2013

4. LINE OF CREDIT

The Society has a \$5,000 line of credit secured by accounts receivable.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Office equipment & furniture	29,127	21,934	5,754	7,193
Computer equipment	60,774	52,834	5,558	7,940
Vehicles	51,265	29,913	14,946	21,365
	152,083	115,598	26,258	36,485

6. BANK LOANS

	2013	2012
Loan payable to CCEC with interest at 3.50% per annum payable in monthly amounts of \$1,021.93 consisting of interest and principal.	\$ -	\$ 1,108
Loan payable to Vancity with interest at 2% per annum	25,000	-
	\$ 25,000	\$ 1,108

7. DEFERRED GRANTS AND CONTRACTS

	2013	2012
Vancouver Coastal Health Authority	\$ 80,135	\$ 57,436
BC Gaming	32,794	57,000
TIPPY Evaluation	-	6,500
TTIPS subsidy and other	56,637	54,290
Vancouver foundation	17,585	-
	\$ 187,151	\$ 175,226

**WATARI RESEARCH ASSOCIATION
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Notes to the financial statements

March 31, 2013

8. FINANCIAL INSTRUMENTS

The Society has various financial instruments including cash and term deposits, accounts receivable, due from employees, HST receivable, accounts payable and accrued liabilities, wages and benefits payable, and bank loans, which are all reported at amortized cost. The Society estimates that the carrying value of cash and term deposits, accounts receivable, due from employees, HST receivable, accounts payable and accrued liabilities, and wages and benefits payable approximate their fair values due to their short-term nature. The Society estimates that the carrying value of bank loans payable approximates their fair values as they are interest bearing.

Interest rate risk

The Society is periodically exposed to interest rate risk relating to any interest-bearing loans that fluctuate with the prime rate.

Credit risk

The Society is exposed to credit risk with respect to its accounts receivable.

9. CONTINGENCIES

Watari has retained the services of a law firm based on correspondence from a lawyer representing an individual who may seek damages from the organization. The last correspondence was in February.
