

Watari Research Association
(Operating as Watari Counselling & Support Services Society)

Financial Statements

Year Ended March 31, 2014

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INDEPENDENT AUDITOR'S 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 statement of financial position as at March 31, 2014, 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 audit. We conducted our audit in accordance with Canadian 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 judgement, including the assessment of 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 Society'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 audit opinion on the effectiveness of the Society'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 charitable organizations, the Society 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, 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, 2014, the statements of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Legal and Regulatory Requirements

As required by the British Columbia Society 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.

Vancouver, British Columbia
July 16, 2014

“Buckley Dodds Parker LLP”
Chartered Accountants

**Watari Research Association
(Operating as Watari Counselling & Support Services Society)
Statement of Financial Position**

	Note	March 31, 2014	March 31, 2013
ASSETS			
CURRENT			
Cash		\$ 44,949	\$ 74,852
Short-term investment		58,589	58,578
Accounts receivable	3	157,297	64,658
GST / HST receivable		8,718	18,354
Prepaid expense		30,839	15,645
		<u>300,392</u>	<u>232,087</u>
CAPITAL ASSETS	4	<u>28,278</u>	<u>26,258</u>
		\$ 328,670	\$ 258,345
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 30,867	\$ 30,210
Deferred revenue	6	216,124	187,151
Short-term loan	7	25,000	25,000
		<u>271,991</u>	<u>242,361</u>
NET ASSETS			
Operating fund (deficit)		28,401	(10,274)
Invested in capital assets		28,278	26,258
		<u>56,679</u>	<u>15,984</u>
		\$ 328,670	\$ 258,345

Nature of the Society (Note 1)

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

ON BEHALF OF THE BOARD

_____ Director

_____ Director

**Watari Research Association
(Operating as Watari Counselling & Support Services Society)
Statement of Operations**

	Year Ended Note March 31, 2014	Year Ended March 31, 2013
REVENUE		
Vancouver Coastal Health Authority	\$ 1,014,882	\$ 1,035,535
Vancouver Aboriginal Children & Family Services Society	218,443	146,608
SpencerCreo Foundation	100,000	100,000
Law Foundation of B.C.	84,631	77,025
Ministry of Solicitor General and Public Safety of B.C.	68,706	68,425
City of Vancouver	61,341	61,182
Donations in-kind	2 53,981	25,087
Vancouver Foundation	38,668	8,415
BC Gaming	32,510	24,206
Other service contracts	19,228	14,959
BC Housing	17,628	-
Cash donations	13,549	20,297
Sanctuary for Kids	-	20,000
Other grants and revenue	24,950	34,724
	1,748,517	1,636,463
EXPENSES		
Wages and benefits	1,078,908	1,118,553
Contract services	185,417	169,075
Program and service costs	217,804	192,922
Rent and occupancy costs	119,557	113,370
Office and administration	40,566	41,349
Telecommunications	22,802	23,042
Amortization	8,338	10,227
Accounting and audit fees	10,168	9,918
Staff travel	6,417	4,308
Staff development	6,687	6,517
Equipment and other repairs	4,678	1,531
Fundraising	2,588	1,739
Website	3,892	10,147
	1,707,822	1,702,698
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 40,695	\$ (66,235)

Watari Research Association
(Operating as Watari Counselling & Support Services Society)
Statement of Changes in Net Assets

	Operating Fund	Invested in Capital Assets	Total
Net assets balance, March 31, 2012	\$ 45,734	\$ 36,485	\$ 82,219
Excess (deficiency) of revenue over expenses	(66,235)	-	(66,235)
Capital asset amortization	10,227	(10,227)	-
Net assets balance, March 31, 2013	(10,274)	26,258	15,984
Excess of revenue over expenses	40,695	-	40,695
Capital asset acquisition	(10,358)	10,358	-
Capital asset amortization	8,338	(8,338)	-
Net assets balance, March 31, 2014	\$ 28,401	\$ 28,278	\$ 56,679

Watari Research Association
(Operating as Watari Counselling & Support Services Society)
Statement of Cash Flows

	Year Ended March 31, 2014	Year Ended March 31, 2013
OPERATING ACTIVITIES		
Excess (deficiency) revenue over expenses	\$ 40,695	\$ (66,235)
Item not affecting cash:		
Amortization	8,338	10,227
Changes in non-cash working capital:		
Accounts receivable	(92,639)	(35,610)
GST / HST receivable	9,636	(4,134)
Prepaid expenses	(15,194)	(7,399)
Accounts payable and accrued liabilities	657	2,672
Deferred revenue	28,973	11,925
Net cash used in operating activities	<u>(19,534)</u>	<u>(88,554)</u>
INVESTING ACTIVITIES		
Short-term investment	(11)	(2,864)
Purchase of capital assets	<u>(10,358)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,369)</u>	<u>(2,864)</u>
FINANCING ACTIVITIES		
Short-term loan	<u>-</u>	<u>23,892</u>
Net cash used in financing activities	<u>-</u>	<u>23,892</u>
CHANGE IN CASH DURING THE YEAR	(29,903)	(67,526)
CASH, BEGINNING OF YEAR	<u>74,852</u>	<u>142,378</u>
CASH, END OF YEAR	\$ 44,949	\$ 74,852
Supplemental disclosure		
Cash paid for interest	<u>\$ 1,324</u>	<u>\$ 1,441</u>

**Watari Research Association
(Operating as Watari Counselling & Support Services Society)**

**Notes to the financial statements
As At March 31, 2014**

1. NATURE OF THE SOCIETY

The Watari Research Association, operating as Watari Counselling & Support Services Society (the "Society"), is a registered charity under the British Columbia Society Act. The Society was established in 1986 in a response to a lack of services and programs for street involved youth and families.

The Society's mission is to facilitate positive change in at-risk children, youth, families and communities through the design and delivery of innovative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

In accordance with Canadian accounting standards for not-for-profit organizations, 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 expenses during the reporting period. Actual results could differ from those reported. The most significant estimates in these financial statements include the determination of the unearned (deferred) portion of revenues received but not yet earned.

Revenue recognition

The Society follows the deferral method of accounting for contributions such as charitable donations and grants received. Restricted contributions for expenses or services of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized or services are provided. 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.

Contributed materials and services

The Society's policy is to recognize contributions of materials and services when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Society's operations and would otherwise have been purchased.

The Society relies on the time and expertise donated by many volunteers. However, due to the difficulty to determine the fair values, services contributed by volunteers are not recognized in these financial statements.

**Watari Research Association
(Operating as Watari Counselling & Support Services Society)**

**Notes to the financial statements
As At March 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased by the Society are recorded at cost. Capital assets donated to the Society are recorded at their fair market values at the date of contribution when fair market value can be reasonably determined. During the year ended March 31, 2014, there were no capital assets donated to the Society (2013 - \$nil).

Capital assets are amortized on the declining balance basis at the following rates:

Computer equipment	30%
Office equipment and furniture	20%
Vehicles	30%

The provision for amortization is reduced by one-half in the year of acquisition. During the year ended March 31, 2014, the capital assets acquired were \$10,356 (2013 - \$nil).

Financial Instruments

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at amortized cost. Any change in fair value is recognized in net income (loss) in the year during which the change occurs.

3. ACCOUNTS RECEIVABLE

	2014	2013
Operating	\$ 153,114	\$ 60,199
Interest	1,420	680
Employees	2,763	3,779
Total	\$ 157,297	\$ 64,658

**Watari Research Association
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**Notes to the financial statements
As At March 31, 2014**

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Carrying Amount 2014	Carrying Amount 2013
Computer equipment	\$ 60,774	\$ (56,883)	\$ 3,891	\$ 5,754
Office equipment and furniture	39,483	(25,559)	13,924	5,558
Vehicles	51,265	(40,802)	10,463	14,946
Total	\$151,522	\$(123,244)	\$28,278	\$26,258

5. OPERATING LINE OF CREDIT

The Society has an operating line of credit agreement with CCEC Credit Union for an amount up to \$20,000. During the year ended March 31, 2014, the Society did not utilize the operating line of credit (2013 - \$nil).

6. DEFERRED REVENUE

	2014	2013
Vancouver Coastal Health Authority	\$ 178,100	\$ 136,772
City of Vancouver	17,947	-
Vancouver Foundation	13,917	17,585
BC Housing	5,876	-
BC Gaming	284	32,794
Total	\$ 216,124	\$ 187,151

**Watari Research Association
(Operating as Watari Counselling & Support Services Society)**

**Notes to the financial statements
As At March 31, 2014**

7. SHORT-TERM LOAN

	2014	2013
	\$ 25,000	\$ 25,000

The loan is payable to the Greater Vancouver Community Assistance Foundation on demand with interest at the rate of 2% per annum.

8. FINANCIAL INSTRUMENTS

The Society's financial instruments include cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, and loan payable.

The Society estimates that the carrying value of cash, short-term investment, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The loan payable is estimated to approximate its fair value due to its interest bearing nature.

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 Society's exposure to interest rate risk is limited to interest earned on its cash and short-term investments. In management's opinion, as at March 31, 2014, the Society was not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at March 31, 2014, the Society had significant accounts receivable. However, the exposure to credit risk was not considered significant as the accounts were mainly due from government organizations.

**Watari Research Association
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**Notes to the financial statements
As At March 31, 2014**

9. INCOME TAXES

The Society is registered as a not-for-profit organization under section 149 of the Income Tax Act and is not subject to income tax.

10. COMPARATIVE FIGURES

The prior year's comparative figures have been amended to conform to the current year's presentation.