

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

**Financial Statements**

**Year Ended March 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

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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, 2016, 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.

### **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 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 controls 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 controls. 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. Consequently, 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, 2016, 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  
August 25, 2016

“Buckley Dodds Parker LLP”  
Chartered Professional Accountants

**Watari Research Association**  
**(Operating as Watari Counselling & Support Services Society)**  
**Statement of Financial Position**  
**As at March 31,**

	Note	2016	2015
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	3	\$ 646,201	\$ 372,058
Accounts receivable	4	260,351	88,187
GST receivable		10,673	9,396
Prepaid expense		34,058	20,670
		<u>951,283</u>	<u>490,311</u>
<b>CAPITAL ASSETS</b>	5	<u>41,124</u>	<u>47,598</u>
		<b>\$ 992,407</b>	<b>\$ 537,909</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities		\$ 43,183	\$ 34,865
Deferred revenue	7	682,014	332,552
Demand loan	8	25,000	25,000
		<u>750,197</u>	<u>392,417</u>
<b>NET ASSETS</b>			
Operating		199,476	97,894
Invested in capital assets		42,734	47,598
		<u>242,210</u>	<u>145,492</u>
		<b>\$ 992,407</b>	<b>\$ 537,909</b>

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  
For the Years Ended March 31,**

	Note	2016	2015
<b>REVENUE</b>			
Vancouver Coastal Health Authority		\$ 1,088,379	\$ 1,104,553
BC Ministry of Health		51,834	-
Vancouver Aboriginal Children & Family Services Society		174,590	211,222
Spencer Creo Foundation		9,481	40,519
Law Foundation of B.C.		105,569	81,518
Ministry of Solicitor General and Public Safety of B.C.		66,263	67,261
City of Vancouver		77,778	75,288
Donations in-kind	2	41,251	30,497
Vancouver Foundation		71,554	32,363
Other service contracts		11,769	15,885
BC Housing		186,909	139,991
Cash donations		12,730	22,091
Maria Marina Foundation		78,310	58,737
Sanctuary for Kids		17,500	37,500
Other grants and revenue		80,195	65,455
		<b>2,074,112</b>	<b>1,982,880</b>
<b>EXPENSES</b>			
Wages and benefits		1,286,360	1,266,883
Contract services		172,496	154,662
Program and service costs		216,920	217,929
Rent and occupancy costs		141,282	125,287
Office and administration		70,403	53,860
Telecommunications		33,108	27,919
Amortization		12,187	10,284
Accounting and audit fees		11,319	11,716
Staff travel		9,647	3,602
Staff development		7,317	8,461
Equipment and other repairs		9,490	9,695
Fundraising		1,568	474
Website		4,673	3,295
		<b>1,976,770</b>	<b>1,894,067</b>
		<b>97,342</b>	<b>88,813</b>
<b>OTHER LOSS</b>			
Loss on asset disposal		(624)	-
<b>EXCESS OF REVENUE OVER EXPENSES</b>		<b>\$ 96,718</b>	<b>\$ 88,813</b>

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

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

	Operating	Invested in Capital Assets	Total
<b>Net assets, March 31, 2014</b>	28,401	28,278	<b>56,679</b>
Excess of revenue over expenses	88,813	-	<b>88,813</b>
Capital asset acquisition	(29,604)	29,604	-
Capital asset amortization	10,284	(10,284)	-
<b>Net assets, March 31, 2015</b>	<b>\$ 97,894</b>	<b>\$ 47,598</b>	<b>\$ 145,492</b>
Excess of revenue over expenses	96,718	-	<b>96,718</b>
Capital asset acquisition	(7,947)	7,947	-
Capital asset disposition	624	(624)	-
Capital asset amortization	12,187	(12,187)	-
<b>Net assets, March 31, 2016</b>	<b>\$ 199,476</b>	<b>\$ 42,734</b>	<b>\$ 242,210</b>

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

**Watari Research Association**  
**(Operating as Watari Counselling & Support Services Society)**  
**Statement of Cash Flows**  
**For the Years Ended March 31,**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 96,718	\$ 88,813
Item not affecting cash:		
Amortization	12,187	10,284
Changes in non-cash working capital:		
Accounts receivable	(172,164)	69,099
GST receivable	(1,277)	(678)
Prepaid expenses	(13,388)	10,169
Accounts payable and accrued liabilities	8,318	3,998
Deferred revenue	349,462	116,428
Cash provided by operating activities	<u>279,856</u>	<u>298,113</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(5,713)</u>	<u>(29,604)</u>
Cash used in investing activities	<u>(5,713)</u>	<u>(29,604)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>274,143</b>	<b>268,509</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>372,058</u></b>	<b><u>103,549</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 646,201</b>	<b>\$ 372,058</b>

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



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

**Notes to the financial statements  
As At March 31, 2016**

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**1. NATURE OF THE SOCIETY**

The Watari Research Association, operating as Watari Counselling & Support Services Society (the "Society"), is incorporated under the British Columbia Society Act and is a registered charity. 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 and other support.

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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Preparation

These financial statements have been prepared 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 determining 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.

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

**Notes to the financial statements  
As At March 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed materials and services (donations in-kind)

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 in determining their fair values, services contributed by volunteers are not recognized in these financial statements.

Capital Assets

Capital assets purchased by the Society are recorded at cost. Capital assets donated to the Society are recorded at their fair market value at the date of contribution when fair market value can be reasonably determined. During the year ended March 31, 2016, there were no capital assets donated to the Society (2015 - \$nil).

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

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

Leasehold improvements pertaining to the Society's premises are amortized on a straight-line basis over the term of the respective leases.

The provision for amortization is reduced by one-half in the year of acquisition. During the year ended March 31, 2016, the capital assets acquired were \$7,947 (2015 - \$29,604). During the year, one of the three bikes purchased was stolen and the asset was appropriately disposed at a loss of \$624 net of insurance proceeds.

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.

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

**Notes to the financial statements**  
**As At March 31, 2016**

**3. CASH AND CASH EQUIVALENTS**

Cash includes cash and cash equivalents. Cash equivalents consist of investments made into GICs. During the year ended March 31, 2016 there were \$410,831 (2015 - \$58,600) worth of GICs held with the CCEC Credit Union.

**4. ACCOUNTS RECEIVABLE**

	2016	2015
Operating	\$ 254,174	\$ 81,521
Interest	2,584	1,501
Employees	3,593	5,165
<b>Total</b>	<b>\$ 260,351</b>	<b>\$ 88,187</b>

**5. CAPITAL ASSETS**

	Cost	Accumulated Amortization	<b>Carrying Amount 2016</b>	Carrying Amount 2015
Bikes	\$ 5,448	\$ (530)	<b>\$ 4,918</b>	-
Computer equipment	\$ 9,783	\$ (5,102)	<b>\$ 4,681</b>	\$ 6,687
Leasehold Improvements	\$ 23,574	\$ (7,072)	<b>\$ 16,502</b>	\$21,217
Office equipment and furniture	\$ 40,851	\$ (30,955)	<b>9,896</b>	12,370
Vehicles	\$ 51,265	\$ (46,138)	<b>5,127</b>	7,324
<b>Total</b>	<b>\$ 130,921</b>	<b>\$ (89,797)</b>	<b>\$ 41,124</b>	<b>\$47,598</b>

**6. 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, 2016, the Society did not utilize the operating line of credit (2015 - \$nil).

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

**Notes to the financial statements  
As At March 31, 2016**

**7. DEFERRED REVENUE**

	2016	2015
Vancouver Coastal Health Authority	\$ 180,800	\$ 171,115
City of Vancouver	18,216	-
Vancouver Foundation	-	13,175
MCFD/VACFSS	-	8,349
Spencer Creo	-	9,481
Late Night Outreach	-	8,397
Maria Marina	-	78,310
Britannia Outreach	-	6,472
QTT Collaborative	478,166	-
Special Projects	-	30,000
VACFSS #1	4,548	6,969
BC Gaming	284	284
<b>Total</b>	<b>\$ 682,014</b>	<b>\$ 332,552</b>

The QTT Collaborative is a provincial policy group with funding from the Ministry of Health to work toward increasing health equity for the Queer, Trans, and Two-Spirited communities in British Columbia. Watari is the partner who is the project administrator for the group.

Deferred revenues are earned over the period covered by the funders, or as they are expensed for the purpose specified by the donor or funder.

**8. DEMAND LOAN**

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

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

**Notes to the financial statements**  
**As At March 31, 2016**

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**9. CONTRACTUAL COMMITMENT**

The Society is committed pursuant to rental agreements. The annual minimum payments under those agreements are as follows:

	<u>\$</u>
2017	78,840
2018	83,560
2019	61,360
	<u>\$ 223,760</u>

**10. 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, 2016, 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, 2016, 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.

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