

Financial Statements of

**LANGLEY SCHOOL DISTRICT
FOUNDATION**

Year ended June 30, 2018

Contents

Auditors' Report	1-2
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Langley School District Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Langley School District Foundation, which comprise the statement of financial position as at June 30, 2018, the statements of operations and changes in fund balances and cash flows for the year then ended, 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 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 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 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 qualified audit opinion.



Basis for Qualified Opinion

In common with many not-for-profit organizations, Langley School District Foundation 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 Langley School District Foundation. Therefore, we were not able to determine whether, as at and for the years ended June 30, 2018 and June 30, 2017, any adjustments might be necessary to donation revenue and excess of revenue over expenses reported in the statements of operations and changes in fund balances, excess of revenue over expenses reported in the statements of cash flows, and current assets and fund balances in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2017.

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 the Langley School District Foundation as at June 30, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Langley, Canada
December 10, 2018

LANGLEY SCHOOL DISTRICT FOUNDATION

Statement of Financial Position

June 30, 2018 with comparative information for 2017

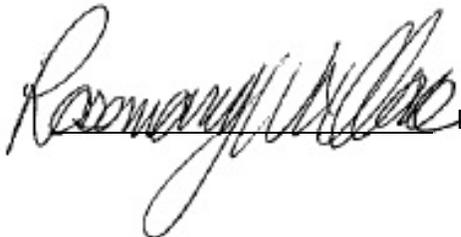
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 477,451	\$ 387,837
Short-term investments (note 4)	640,309	779,464
Interest receivable	18,649	18,166
Other receivables	16,667	16,364
Prepaid expenses	-	2,423
	<u>1,153,076</u>	<u>1,204,254</u>
Long-term investments (note 5)	2,112,071	1,888,910
Capital assets (note 6)	4,494	8,733
	<u>\$ 3,269,641</u>	<u>\$ 3,101,897</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 66,127	\$ 44,622
Due to School District (note 7)	571	4,658
Scholarships payable (note 8)	245,446	213,026
Deferred revenue	7,899	10,025
	<u>320,043</u>	<u>272,331</u>
Fund balances:		
Unrestricted	487,882	491,917
Externally restricted funds:		
Restricted fund	349,908	279,437
Cornett fund	438,653	425,935
Scholarship trust fund	1,673,155	1,632,277
	<u>2,949,598</u>	<u>2,829,566</u>
	<u>\$ 3,269,641</u>	<u>\$ 3,101,897</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


Director


Director

LANGLEY SCHOOL DISTRICT FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended June 30, 2018, with comparative information for 2017

	Unrestricted Fund	Externally restricted		Scholarship Fund	2018 Total	2017 Total
		Restricted Fund	Cornett Fund			
Revenue:						
Donations (note 7)	\$ 20,542	\$ 400,561	\$ -	\$ 175,572	\$ 596,675	\$ 951,687
Gifts-in-kind	84,677	-	-	-	84,677	70,677
Event income	161,861	-	-	-	161,861	102,297
Investment income	10,325	-	12,044	53,404	75,773	72,729
Other income	42,836	-	-	-	42,836	40,770
Unrealized gain on investments	15,339	-	5,648	25,333	46,320	122,340
Loss on sale of capital assets	-	-	-	-	-	(1,260)
	335,580	400,561	17,692	254,309	1,008,142	1,359,240
Expenses:						
Contributions and grants (note 7)	59,363	296,878	4,974	-	361,215	628,876
Gifts-in-kind	84,677	-	-	-	84,677	70,677
Event expense	42,626	-	-	-	42,626	39,878
Scholarships (note 8)	-	25,000	-	209,920	234,920	160,662
Administration (notes 7 and 10)	164,672	-	-	-	164,672	161,952
	351,338	321,878	4,974	209,920	888,110	1,062,045
Allocation of administration fee (note 9)	(11,723)	8,212	-	3,511	-	-
	339,615	330,090	4,974	213,431	888,110	1,062,045
Excess (deficiency) of revenue over expenses	(4,035)	70,471	12,718	40,878	120,032	297,195
Fund balance, beginning of year	491,917	279,437	425,935	1,632,277	2,829,566	2,532,371
Fund balance, end of year	\$ 487,882	\$ 349,908	\$ 438,653	\$ 1,673,155	\$ 2,949,598	\$ 2,829,566

See accompanying notes to financial statements.

LANGLEY SCHOOL DISTRICT FOUNDATION

Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 120,032	\$ 297,195
Items not involving cash:		
Unrealized gain on investments	(46,320)	(122,340)
Loss on sale of capital assets	-	1,260
Amortization	4,239	4,239
	77,951	180,354
Changes in non-cash operating working capital:		
Interest and other receivables	(786)	(970)
Prepaid expenses	2,423	(1,104)
Accounts payable and accrued liabilities	21,505	7,033
Due to School District	(4,087)	2,784
Scholarships payable	32,420	(31,006)
Deferred revenue	(2,126)	3,075
	127,300	160,166
Investments:		
Purchase of investments	(7,686)	(6,577)
Increase in Vancouver Foundation investments	(30,000)	(20,000)
Proceeds from sale of capital assets	-	7,500
	(37,686)	(19,077)
Increase in cash and cash equivalents	89,614	141,089
Cash and cash equivalents, beginning of year	387,837	246,748
Cash and cash equivalents, end of year	\$ 477,451	\$ 387,837

See accompanying notes to financial statements.

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

1. Operations:

The Langley School District Foundation (the "Foundation") transitioned to the new Societies Act (British Columbia) on January 29, 2018. The Foundation is a charitable organization registered under the Income Tax Act of Canada (the "Act") and, as such, is exempt from income taxes, provided certain requirements of the Act are met, and is able to issue donation receipts for income tax purposes.

The purpose of the Foundation is to act as a fundraising agency for School District No. 35 (Langley) (the "School District") through community appeals for funds and by receiving legacies, donations, gifts, bequests and endowments from all sources. The Board of Directors of the Foundation (the "Board") approve grants to the School District to fund specified projects and to purchase specified capital assets. The Foundation also manages a Scholarship Fund and works with School District staff in the selection of scholarship recipients and makes disbursements to those selected.

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) Fund accounting:

(i) Unrestricted Fund:

The Unrestricted Fund accounts for the Foundation's general fundraising and administrative activities.

(ii) Restricted Fund:

The Restricted Fund includes funds that are externally restricted by the donor to be used for an identified purpose.

(iii) Cornett Fund:

The Cornett Fund includes funds that are externally restricted by the donor to be used to support programs for students with special needs.

(iv) Scholarship Trust Fund:

The Scholarship Trust Fund reports externally restricted contributions to be utilized for the purposes of providing scholarships to the students of the School District.

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

2. Significant accounting policies (continued):

(c) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions, giving recognition to restrictions on the use of resources specified by donors. The externally restricted fund and scholarship trust fund include the principal of donations received and the investment income earned on the funds.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services are recognized at their fair market value in the financial statements at the time of acceptance by the Foundation, if determinable. Volunteers contribute an indeterminate number of hours to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services from volunteers are not recognized in the financial statements.

Investment income is recognized when earned.

Event income received in advance for subsequent year's fundraising events are recorded as deferred revenue. These revenues are recognized as revenue in the period in which the event occurs.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and financial instruments with maturity dates within 90 days of acquisition.

(e) Investments:

Investments classified as current include investments with terms to maturity of more than three months at the date of purchase and are due during the next fiscal year. Pooled investments with no maturity are capable of reasonably prompt liquidation, and are classified as short-term investments.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Rate
Computer software	5 years
Computer hardware	5 years

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value with any changes being recorded through the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. To the extent that impairment is determined, the carrying value of the instrument will be reduced. Impairment losses are reversed to the extent of any recovery in value, not exceeding the initial carrying value.

(h) Use of estimates:

The preparation of financial statements 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 reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investments carried at fair value and the provision for accrued liabilities and scholarships payable. Actual results could differ from those estimates.

(i) General and administrative expenses:

All expenses related to general management, marketing and administrative activities, are expensed in the period in which they are incurred. General and administration expenses are included in the unrestricted fund.

3. Cash and cash equivalents:

Cash and cash equivalents include restricted gaming funds of \$35,516 (2017 - \$41,659).

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

4. Short-term investments:

	2018	2017
Mutual funds	\$ 640,309	\$ 623,126
Term deposits, maturing in 3 months or less	-	156,338
	<u>\$ 640,309</u>	<u>\$ 779,464</u>

5. Long-term investments:

	2018	2017
Funds held at Vancouver Foundation (a)	\$ 1,952,175	\$ 1,888,910
Term deposits (b)	159,896	-
	<u>\$ 2,112,071</u>	<u>\$ 1,888,910</u>

(a) Funds held at the Vancouver Foundation:

These funds are administered by the Vancouver Foundation, within the Consolidated Trust Fund, with the Foundation receiving the generated income. The funds were established in April 2008 and March 2010 and under the terms of the agreement, the Foundation is entitled to withdraw all or a portion of its contributions three to five years, respectively, after the fund is established. These funds are held at fair value.

	Fund established	June 30, 2018		June 30, 2017	
		Market value	Cost	Market value	Cost
Restricted Fund:					
Cornett Fund Scholarship Trust Fund	April 2008	\$ 330,686	\$ 260,000	\$ 325,036	\$ 260,000
	March 2010	1,487,943	1,135,000	1,432,609	1,105,000
Unrestricted	April 2008	133,546	105,000	131,265	105,000
		<u>\$ 1,952,175</u>	<u>\$ 1,500,000</u>	<u>\$ 1,888,910</u>	<u>\$ 1,470,000</u>

(b) Term deposit:

The term deposit earns interest at 0.70% per annum and matures in August 2019.

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

6. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 20,101	\$ 16,081	\$ 4,020	\$ 8,040
Computer hardware	1,094	620	474	693
	\$ 21,195	\$ 16,701	\$ 4,494	\$ 8,733

7. Related party balances and transactions:

During Fiscal 2014, the School District and the Foundation entered into an agreement which identifies the services the School District provides to the Foundation as gifts in kind and the services for which the Foundation reimburses the School District.

The Foundation has its own Board which is comprised of two members of the School District Board of Education, one member from School District senior management, and six directors nominated from the community.

The Foundation receives applications for funding to support school initiatives. Applications are reviewed (against established criteria) by a granting committee which makes recommendations to the Board. The Board makes the final determination of the initiatives to support. Funding for programs includes literacy initiatives, performing and visual arts initiatives, special education programs and needs, purchase of library books and technology equipment, and supporting innovative learning enhancement projects.

During the year, the Foundation made the following contributions to the School District to support school initiatives:

	2018	2017
Unrestricted Fund	\$ 59,363	\$ 172,559
Externally Restricted Funds	301,852	456,317
	\$ 361,215	\$ 628,876

The Foundation uses common financial and payroll systems as the School District and, at times, donations are collected via the School District's online payment systems. All intercompany transactions result in a monthly balance due to/from the School District. Invoices are generated and settled on a monthly basis. At June 30, 2018 the amount payable to the School District was \$571 (2017 - \$4,658).

During the current year, the School District contributed donations of \$4,500 (2017 - \$4,500) to the Foundation and the Foundation reimbursed the School District \$51,551 (2017 - \$53,007) for administration expenses. All amounts paid to or received by the Foundation are in the normal course of operations and are recorded at the exchange amount.

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

8. Scholarships payable:

The scholarship fund liability consists of the current year scholarship winners which are awarded in May annually plus any scholarships not claimed in previous fiscal years. Students who are not attending a post-secondary institution immediately following graduation must claim their scholarships within 2 years.

The following table summarizes the breakdown between current scholarship winners and deferred scholarships. For fiscal 2018, the deferred scholarships are made up of awards from 2017.

	2018	2017
Deferred scholarships	\$ 70,725	\$ 83,502
Current scholarships	237,905	227,450
Allowance for unclaimed scholarships	(63,184)	(97,926)
	<u>\$ 245,446</u>	<u>\$ 213,026</u>

9. Administration fee:

An administration fee of 2% is charged on restricted monetary donation revenue received. The purpose of this fee is to offset the cost of processing, directing and managing the restricted donations.

10. Administrative expenses:

	2018	2017
Wages	\$ 98,143	\$ 59,412
Contracted services	32,170	45,080
Printing and advertising	2,102	22,101
Professional services	11,073	16,102
Office	7,698	8,647
Amortization	4,239	4,239
Bank charges and interest	6,411	2,363
Mileage and expenses	2,836	4,008
	<u>\$ 164,672</u>	<u>\$ 161,952</u>

LANGLEY SCHOOL DISTRICT FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

11. Risk management:

The Foundation has exposure to interest rate risk and market risk from its use of financial instruments. Interest rate risk refers to the effect on the market value of the Foundation's assets due to fluctuations in interest rates. Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market value of the Foundation's mutual funds and invested funds held at the Vancouver Foundation and the carrying value of its term deposits will be affected by fluctuations in interest rates and market risk. As at June 30, 2018, the Foundation has term deposits with rates at 0.70% (2017 - 2.40%).

It is management's opinion that the Foundation is not exposed to currency, credit or liquidity risk arising from these financial instruments.

There has been no change to the risk exposures from 2017.

12. Remuneration of employees and contractors:

For the fiscal year ending June 30, 2018, the Foundation did not have any employees or contractors for services whose total annual remuneration was greater than \$75,000.