

**Children's Treatment Centre
Foundation of Chatham-Kent
Financial Statements**

For the year ended March 31, 2018

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Tel: 519-352-4130
Fax: 519-352-2744
www.bdo.ca

BDO Canada LLP
555 Richmond Street
Suite 301
Chatham ON N7M 1R2 Canada

Independent Auditor's Report

To the Board of Directors of the
Children's Treatment Centre Foundation of Chatham-Kent:

We have audited the accompanying financial statements of Children's Treatment Centre Foundation of Chatham-Kent, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in fund balances 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 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 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, Children's Treatment Centre Foundation of Chatham-Kent 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 Children's Treatment Centre Foundation of Chatham-Kent. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and fund balances as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the 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 Children's Treatment Centre Foundation of Chatham-Kent as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter - Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedule on page 13 of the Foundation's Financial Statements.



Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 6, 2018

Children's Treatment Centre Foundation of Chatham-Kent Statement of Operations

Year Ended March 31,

2018

	General Fund	Investment Fund	Endowment Fund	Combined
Revenue				
Fundraising	\$ 476,030	\$ -	\$ -	\$ 476,030
Donations	917,532	-	-	917,532
Investment income	3,235	33,494	2,344	39,073
Government grants	93,800	-	-	93,800
Unrealized gains (losses)	(476)	(4,926)	(345)	(5,747)
	<u>1,490,121</u>	<u>28,568</u>	<u>1,999</u>	<u>1,520,688</u>
Expenses (page 13)	<u>825,329</u>	<u>-</u>	<u>-</u>	<u>825,329</u>
Excess of Revenues over Expenses	<u>\$ 664,792</u>	<u>\$ 28,568</u>	<u>\$ 1,999</u>	<u>\$ 695,359</u>

Year Ended March 31,

2017

	General Fund	Investment Fund	Endowment Fund	Combined
Revenue				
Fundraising	\$ 489,523	\$ -	\$ -	\$ 489,523
Donations	209,652	-	-	209,652
Investment income	2,193	10,904	1,659	14,756
Government grants	46,000	-	-	46,000
Unrealized gains (losses)	2,489	12,372	1,883	16,744
	<u>749,857</u>	<u>23,276</u>	<u>3,542</u>	<u>776,675</u>
Expenses (page 13)	<u>787,152</u>	<u>-</u>	<u>-</u>	<u>787,152</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ (37,295)</u>	<u>\$ 23,276</u>	<u>\$ 3,542</u>	<u>\$ (10,477)</u>

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

Children's Treatment Centre Foundation of Chatham-Kent Statement of Financial Position

Year Ended March 31,

2018

	General Fund	Investment Fund	Endowment Fund	Combined
Assets				
Current				
Cash	\$ 181,882	\$ 536	\$ -	\$ 182,418
Investments (note 2)	114,764	513,786	-	628,550
Accounts receivable	13,700	-	-	13,700
Interest receivable	2,328	24,109	1,687	28,124
Prepaid expenses	64,951	-	-	64,951
HST receivable	23,250	-	-	23,250
Due from the General Fund	-	2,328	-	2,328
Due from the Endowment Fund	-	1,687	-	1,687
	400,875	542,446	1,687	945,008
Long-Term				
Investments (note 2)	-	642,611	81,174	723,785
	\$ 400,875	\$ 1,185,057	\$ 82,861	\$ 1,668,793
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 12,400	\$ -	\$ -	\$ 12,400
Due to Children's Treatment Centre of Chatham-Kent (note 3)	31,747	-	-	31,747
Deferred revenue (note 4)	165,250	-	-	165,250
Due to the Investment Fund	2,328	-	1,687	4,015
	211,725	-	1,687	213,412
Contractual Obligation (note 5)				
Fund Balances				
Internally restricted (page 6)	10,250	1,185,057	-	1,195,307
Externally restricted (page 6)	-	-	81,174	81,174
Unrestricted (page 6)	178,900	-	-	178,900
	189,150	1,185,057	81,174	1,455,381
	\$ 400,875	\$ 1,185,057	\$ 82,861	\$ 1,668,793

Approved on behalf of the Board:

_____, Director

_____, Director

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

Children's Treatment Centre Foundation of Chatham-Kent Statement of Financial Position

Year Ended March 31,

2017

	General Fund	Investment Fund	Endowment Fund	Combined
Assets				
Current				
Cash	\$ 92,658	\$ 82,936	\$ -	\$ 175,594
Investments (note 2)	112,005	225,312	-	337,317
Accounts receivable	32,395	-	-	32,395
Interest receivable	3,829	19,034	2,896	25,759
Prepaid expenses	70,550	-	-	70,550
HST receivable	6,979	-	-	6,979
Due from the General Fund	-	3,829	-	3,829
Due from the Endowment Fund	-	2,896	-	2,896
	318,416	334,007	2,896	655,319
Long-Term				
Investments (note 2)	-	220,483	81,174	301,657
	\$ 318,416	\$ 554,490	\$ 84,070	\$ 956,976
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 26,636	\$ -	\$ -	\$ 26,636
Due to Children's Treatment Centre of Chatham-Kent (note 3)	24,301	-	-	24,301
Deferred revenue (note 4)	139,292	-	-	139,292
Due to the Investment Fund	3,829	-	2,896	6,725
	194,058	-	2,896	196,954
Contractual Obligation (note 5)				
Fund Balances				
Internally restricted (page 6)	10,250	554,490	-	564,740
Externally restricted (page 6)	-	-	81,174	81,174
Unrestricted (page 6)	114,108	-	-	114,108
	124,358	554,490	81,174	760,022
	\$ 318,416	\$ 554,490	\$ 84,070	\$ 956,976

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

**Children's Treatment Centre Foundation of Chatham-Kent
Statement of Changes in Fund Balances**

For the year ended March 31, 2018

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 554,490	\$ 81,174	\$ 10,250	\$ 114,108	\$ 124,358	\$ 760,022
Excess of revenues over expenses	28,568	1,999	-	664,792	664,792	695,359
Transfer from Endowment Fund to Investment Fund	1,999	(1,999)	-	-	-	-
Transfer from General Fund to Investment Fund	600,000	-	-	(600,000)	(600,000)	-
	<u>\$ 1,185,057</u>	<u>\$ 81,174</u>	<u>\$ 10,250</u>	<u>\$ 178,900</u>	<u>\$ 189,150</u>	<u>\$ 1,455,381</u>

For the year ended March 31, 2017

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 527,672	\$ 81,174	\$ 10,250	\$ 151,403	\$ 161,653	\$ 770,499
Excess (deficiency) of revenues over expenses	23,276	3,542	-	(37,295)	(37,295)	(10,477)
Transfer from Endowment Fund to Investment Fund	3,542	(3,542)	-	-	-	-
	<u>\$ 554,490</u>	<u>\$ 81,174</u>	<u>\$ 10,250</u>	<u>\$ 114,108</u>	<u>\$ 124,358</u>	<u>\$ 760,022</u>

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

**Children's Treatment Centre Foundation of Chatham-Kent
Statement of Cash Flows**

Year Ended March 31,	2018	2017
Cash derived from (applied to)		
Operations		
Excess (deficiency) of revenue over expenses	\$ 695,359	\$ (10,477)
Unrealized (gain) loss on investments	5,747	(16,744)
Decrease in accounts receivable	2,424	4,428
Increase in interest receivable	(2,365)	(1,216)
Decrease (increase) in prepaid expenses	5,599	(16,927)
(Decrease) increase in accounts payable and accrued liabilities	(14,236)	2,232
(Decrease) increase in deferred revenue	25,958	(45,433)
Net (decrease) increase in cash from operations	<u>718,486</u>	<u>(84,137)</u>
Investment Activities		
Purchase of investments	(948,088)	(32,362)
Proceeds on disposal of investments	228,980	225,322
	<u>(719,108)</u>	<u>192,960</u>
Financing Activities		
Increase (decrease) in amounts due to Children's Treatment Centre of Chatham-Kent	7,446	(34,944)
Change in Cash Position	6,824	73,879
Cash position at beginning of year	<u>175,594</u>	<u>101,715</u>
Cash position at end of year	<u>\$ 182,418</u>	<u>\$ 175,594</u>

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

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature and Purpose of Organization

The Children's Treatment Centre Foundation of Chatham-Kent ("the Foundation") is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The Foundation was established to raise community awareness and provide sustainable support for the Children's Treatment Centre of Chatham-Kent. The Foundation is dependent upon the commitment and contribution of community volunteers in all aspects of its operation, including the board of directors and its committees.

The Foundation is a registered charity under the Income Tax Act and, as such, is exempt from income taxes provided certain requirements of the Income Tax Act are met and may issue income tax receipts to donors.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Foundation's day-to-day operations. This fund reports unrestricted resources and restricted operating grants on a deferral method.

The Endowment Fund accounts for amounts that have been restricted by the contributors for permanent investment. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund but is not to be retained as endowment.

The Investment Fund contains contributions intended for long-term and short-term investments that have been internally restricted to be used for support as and when determined by the Board of Directors. Investment income earned on resources of the Investment Fund is reported in the Investment Fund.

(continued)

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(d) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate restricted fund. All other restricted contributions are recognized as revenue of the General Fund on a deferral basis.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably assured. Contributions for endowment are recognized as revenue in the endowment fund.

Fundraising revenues are recognized in the period that the fundraising event occurs and when collection can be reasonably assured.

Investment income is recognized as revenue when earned. Investment income earned on investments is recognized as revenue of the related fund.

(e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for Not-for-Profit Organizations requires management to make estimates and assumptions about future events 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 revenues and expenses during the reported period. Actual results could differ from these estimates.

(continued)

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(g) Contributed Material and Services

Volunteers contributed material, related services and a significant number of hours during the year to assist the Foundation in carrying out its activities. Contributed services are only recognized in the financial statements when the fair value of the contribution can be reasonably estimated.

2. Investments

Investments held by the Foundation are comprised of the following:

	2018	2017
At amortized cost:		
High interest savings account, weighted average yield of 1.65%	\$ 258,299	\$ 150,448
GIC's, weighted average yield of 2.18%, maturing between August 2018 and December 2020	750,252	239,300
Strip bonds, weighted average yield of 3.72%, maturing September 2021 and October 2021	59,592	59,592
Corporate bonds, weighted average yield of 3.14%, matured during the year	-	55,819
At fair value:		
Equity investments	284,192	133,815
	1,352,335	638,974
Current portion	628,550	337,317
	<u>\$ 723,785</u>	<u>\$ 301,657</u>

3. Due to the Children's Treatment Centre of Chatham-Kent

During the current year the Children's Treatment Centre of Chatham-Kent paid for expenditures incurred by the Foundation. These transactions are in the normal course of operations and are measured at the carrying value. As at March 31, 2018, \$31,747 (2017 - \$24,301) is payable to the Children's Treatment Centre of Chatham-Kent for related expenditures made and revenue collected on the Foundation's behalf. There are no fixed repayment terms or security.

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

4. Deferred Revenue

The balance of \$165,250 (2017 - \$139,292) represents funds received from organizations and individuals to be used exclusively for specific purposes or amounts received that relate to specific fundraising events occurring subsequent to the year end. These amounts are recorded as a liability as they are unearned at year end.

The breakdown of deferred revenue is as follows:

	2018	2017
Externally Restricted Funds		
Festival of Giving	\$ 164,250	\$ 139,292
Over the Edge	1,000	-
	<u>\$ 165,250</u>	<u>\$ 139,292</u>

5. Contractual Obligation

The Foundation entered into a contractual agreement dated March 12, 2017 to purchase land in Chatham-Kent. A deposit of \$20,000 was made on the property during the current fiscal year which will be applied against the purchase price of \$969,228. The closing date of the purchase is September 30, 2019. If the Foundation fails to close the transaction, the deposit of \$20,000 will be forfeited to the seller and the organization is required to pay an additional \$30,000.

6. Interfund Transfers and Internally Restricted Net Assets

The general fund includes an internally restricted amount of \$10,250 (2017 - \$10,250) to be spent on designated individual needs.

The investment fund includes amounts internally restricted to be retained or used as determined by the Board of Directors.

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

7. Contributions and Support

Contributions and support expenditures are made up of the following:

	2018	2017
The Children's Treatment Centre of Chatham-Kent	\$ 185,570	\$ 184,500
Festival of Giving partner charities	41,000	40,500
Other	11,660	19,240
	<u>\$ 238,230</u>	<u>\$ 244,240</u>

8. Financial Instrument Risk

The following analysis provides information about the Foundation's risk exposure and concentration related to financial instruments. There have been no significant changes in the nature or concentration of these risk exposures from the prior year.

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 is exposed to this risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Liquidity risk

Liquidity risk is the risk that the Foundation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed to fluctuations in equity markets on its investments.

**Children's Treatment Centre Foundation of Chatham-Kent
Schedule of General Fund Expenses
(Unaudited - See Independent Auditor's Report)**

Year Ended March 31,	2018	2017
Expenses		
Fundraising expenses	\$ 383,217	\$ 378,698
Contributions and support	238,230	244,240
Salaries and benefits	121,856	101,939
Professional fees	17,479	13,874
Advertising	14,575	14,849
Bank charges	2,142	7,361
Memberships, dues and fees	7,330	3,428
Office and other expenses	33,770	20,325
Printing and literature	6,730	1,038
Lottery expenses	-	2,650
Bad debts (recovery)	-	(1,250)
	\$ 825,329	\$ 787,152

Prepared solely for internal purposes without audit or review from information provided by management