

Children's Treatment Centre Foundation of Chatham-Kent

Financial Statements

For the year ended March 31, 2020

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Independent Auditor's Report

**To the Board of Directors of
Children's Treatment centre Foundation of Chatham-Kent**

Qualified Opinion

We have audited the financial statements of Children's Treatment centre Foundation of Chatham-Kent (the Foundation), which comprise the statement of financial position as at March 31, 2020, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from 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 the Organization. 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter - Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedule on page 15 of the Foundation's Financial Statements.

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
July 17, 2020

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

Year Ended March 31,

2020

	General Fund	Investment Fund	Endowment Fund	Combined
Revenue				
Fundraising	\$ 729,434	\$ -	\$ -	\$ 729,434
Donations	351,432	-	-	351,432
Investment income	6,606	41,392	4,413	52,411
Government grants	75,004	-	-	75,004
Unrealized gains (losses)	(4,155)	(26,663)	(2,843)	(33,661)
	<u>1,158,321</u>	<u>14,729</u>	<u>1,570</u>	<u>1,174,620</u>
Expenses (page 15)	<u>1,080,807</u>	-	-	<u>1,080,807</u>
Excess of Revenues over Expenses	<u>\$ 77,514</u>	<u>\$ 14,729</u>	<u>\$ 1,570</u>	<u>\$ 93,813</u>

Year Ended March 31,

2019

	General Fund	Investment Fund	Endowment Fund	Combined
Revenue				
Fundraising	\$ 532,215	\$ -	\$ -	\$ 532,215
Donations	559,460	-	-	559,460
Investment income	4,112	56,878	2,908	63,898
Government grants	125,800	-	-	125,800
Unrealized gains (losses)	(224)	(2,650)	(158)	(3,032)
	<u>1,221,363</u>	<u>54,228</u>	<u>2,750</u>	<u>1,278,341</u>
Expenses (page 15)	<u>1,080,053</u>	-	-	<u>1,080,053</u>
Excess of Revenues over Expenses	<u>\$ 141,310</u>	<u>\$ 54,228</u>	<u>\$ 2,750</u>	<u>\$ 198,288</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,

2019

	General Fund	Investment Fund	Endowment Fund	Combined
Assets				
Current				
Cash	\$ 86,506	\$ 99,418	\$ -	\$ 185,924
Investments (note 2)	118,652	446,290	-	564,942
Accounts receivable	76,475	-	-	76,475
Interest receivable	349	35,734	206	36,289
Prepaid expenses	112,862	-	-	112,862
Due from the General Fund	-	349	-	349
Due from the Endowment Fund	-	206	-	206
	394,844	581,997	206	977,047
Long-Term				
Investments (note 2)	-	810,038	81,174	891,212
	\$ 394,844	\$ 1,392,035	\$ 81,380	\$ 1,868,259
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 19,025	\$ -	\$ -	\$ 19,025
Due to Children's Treatment Centre of Chatham-Kent (note 4)	26,490	-	-	26,490
Deferred revenue (note 5)	168,520	-	-	168,520
Due to the Investment Fund	349	-	206	555
	214,384	-	206	214,590
Fund Balances				
Internally restricted (page 7)	10,250	1,392,035	-	1,402,285
Externally restricted (page 7)	-	-	81,174	81,174
Unrestricted (page 7)	170,210	-	-	170,210
	180,460	1,392,035	81,174	1,653,669
	\$ 394,844	\$ 1,392,035	\$ 81,380	\$ 1,868,259

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, 2020

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 1,392,035	\$ 81,174	\$ 10,250	\$ 170,210	\$ 180,460	\$ 1,653,669
Excess of Revenues over Expenses	14,729	1,570	-	77,514	77,514	93,813
Net investment in land (note 3)	-	-	775,316	(775,316)	-	-
Transfer from Endowment Fund to Investment Fund	1,570	(1,570)	-	-	-	-
Transfer to General Fund from Investment Fund	(625,000)	-	-	625,000	625,000	-
	<u>\$ 783,334</u>	<u>\$ 81,174</u>	<u>\$ 785,566</u>	<u>\$ 97,408</u>	<u>\$ 882,974</u>	<u>\$ 1,747,482</u>

For the year ended March 31, 2019

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 1,185,057	\$ 81,174	\$ 10,250	\$ 178,900	\$ 189,150	\$ 1,455,381
Excess of Revenues over Expenses	54,228	2,750	-	141,310	141,310	198,288
Transfer from Endowment Fund to Investment Fund	2,750	(2,750)	-	-	-	-
Transfer from General Fund to Investment Fund	150,000	-	-	(150,000)	(150,000)	-
	<u>\$ 1,392,035</u>	<u>\$ 81,174</u>	<u>\$ 10,250</u>	<u>\$ 170,210</u>	<u>\$ 180,460</u>	<u>\$ 1,653,669</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,	2020	2019
Cash derived from (applied to)		
Operations		
Excess of revenue over expenses	\$ 93,813	\$ 198,288
Unrealized loss on investments	33,661	3,032
Gain on disposal of investments	(18,453)	-
(Increase) decrease in accounts receivable	(54,282)	(39,525)
Increase in interest receivable	12,076	(8,165)
(Increase) decrease in prepaid expenses	42,599	(47,911)
Increase (decrease) in accounts payable and accrued liabilities	18,368	6,625
Increase in deferred revenue	53,705	3,270
Net increase in cash from operations	<u>181,487</u>	<u>115,614</u>
Investment Activities		
Purchase of investments	(751,522)	(582,993)
Proceeds on disposal of investments	1,233,909	476,142
Purchase of land	(1,025,316)	-
Funds received for land purchase	250,000	-
	<u>(292,929)</u>	<u>(106,851)</u>
Financing Activities		
(Decrease) increase in amounts due to Children's Treatment Centre of Chatham-Kent	(19,166)	(5,257)
Change in Cash Position	<u>(130,608)</u>	<u>3,506</u>
Cash position at beginning of year	<u>185,924</u>	<u>182,418</u>
Cash position at end of year	<u>\$ 55,316</u>	<u>\$ 185,924</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, 2020

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, 2020

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, 2020

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:

	2020	2019
At amortized cost:		
High interest savings account (2019 - weighted average yield of 2.38%)	\$ -	\$ 279,942
GIC's, weighted average yield of 2.65% (2019 - 2.66%), maturing between August 2020 - December 2022 (2019 - July 2019 and August 2022)	863,000	825,000
Strip bonds, weighted average yield of 3.72%, maturing September 2021 and October 2021	-	59,592
At fair value:		
Equity investments	95,559	291,620
	958,559	1,456,154
Current portion	370,000	564,942
	<u>\$ 588,559</u>	<u>\$ 891,212</u>

3. Land

During the fiscal year, the Foundation purchased land in Chatham-Kent for \$1,025,316 for the purpose of constructing a new Children's Treatment Centre location. Per an agreement between the Children's Treatment Centre and the Foundation dated September 27, 2019, it is intended that the land and future building will be transferred from the Foundation to the Children's Treatment Centre upon completion of construction of the new building. During the year the Children's Treatment Centre transferred funds of \$250,000 to the Foundation to help facilitate the purchase of the land. In the event that construction does not proceed, these funds are to be returned to the Children's Treatment Centre as per the agreement.

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

4. 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, 2020, \$7,324 (2019 - \$26,490) 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.

5. Deferred Revenue

The balance of \$222,225 (2019 - \$168,520) 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:

	2020	2019
Externally Restricted Funds		
Festival of Giving	\$ 222,225	\$ 163,520
RM Anniversary Weekend	-	5,000
	<u>\$ 222,225</u>	<u>\$ 168,520</u>

6. Interfund Transfers and Internally Restricted Net Assets

The general fund includes an internally restricted amount of \$10,250 (2019 - \$10,250) to be spent on designated individual needs, along with a net amount of \$737,058 (2019 - nil) related to the land investment as described in note 3.

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, 2020

7. Contributions and Support

Contributions and support expenditures are made up of the following:

	<u>2020</u>		<u>2019</u>
The Children's Treatment Centre of Chatham-Kent	\$ 199,296	\$	273,385
Festival of Giving partner charities	34,030		33,135
Other	11,124		5,824
	<u>\$ 244,450</u>	\$	<u>312,344</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

Notes to Financial Statements

Year Ended March 31, 2020

9. Subsequent Events

Subsequent to the year end, the impact of COVID-19 in Canada and on the global economy increased significantly.

Due to COVID-19 and the associated government restrictions related to social gatherings, the Foundation has either had to postpone or cancel certain fundraising events that were to take place in 2020. The Foundation expects that revenues related to fundraising, donations and sponsorships could be impacted negatively. COVID-19 has also negatively impacted equity markets worldwide which in turn has negatively impacted the value of publicly traded equity investments held by the Foundation. The impact of the pandemic on prevailing interest rates when the Foundation's term investments mature is unknown.

As the impacts of COVID-19 continue there could be further impact on the Foundation and its donors, sponsors, suppliers, and other third party business associates that could impact the timing and amounts realized on the Foundation's assets and future cash flows. At this time the full potential impact of COVID-19 is not known.

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

Year Ended March 31,	2020	2019
Expenses		
Fundraising expenses	\$ 614,436	\$ 610,921
Contributions and support (note 7)	244,450	312,344
Salaries and benefits	116,870	84,409
Advertising	40,382	12,112
Office and other expenses	39,486	35,334
Professional fees	13,268	16,464
Memberships, dues and fees	8,819	5,441
Bank charges	3,096	2,833
Printing and literature	-	195
	\$ 1,080,807	\$ 1,080,053

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