

Children's Treatment Centre Foundation of Chatham-Kent

Financial Statements

For the year ended March 31, 2015

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

BDO Canada LLP
155 Thames Street
PO Box 1195
Chatham ON N7M 5L8 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, 2015 and the statements of operations, changes in fund balances and cash flow 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 audits 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 charitable organizations, the entity derives revenue from the public in the form of donations and fundraising, 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 organization. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and fund balances.

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, 2015 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.

BDB Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 18, 2015

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

Year Ended March 31,

2015

2014

	2015			2014		
	General Fund	Endowment Fund	Combined	General Fund	Endowment Fund	Combined
Revenue						
Festival of Giving	\$ 555,183	\$ 0	\$ 555,183	\$ 523,782	\$ 0	\$ 523,782
Donations and fundraising	161,262	12,500	173,762	79,763	8,248	88,011
Lottery income	2,970	0	2,970	0	0	0
Investment income	1,691	14,046	15,737	1,478	19,069	20,547
Art gala income	1,400	0	1,400	8,649	0	8,649
Other income	320	0	320	0	0	0
Gifts in kind	0	0	0	15,051	0	15,051
Unrealized gains	0	4,315	4,315	0	8,019	8,019
	<u>722,826</u>	<u>30,861</u>	<u>753,687</u>	<u>628,723</u>	<u>35,336</u>	<u>664,059</u>
Expenses						
Festival of Giving expenses	263,180	0	263,180	264,698	0	264,698
Contributions and support (note 5)	281,624	0	281,624	162,430	0	162,430
Salaries and benefits	119,936	0	119,936	153,076	0	153,076
Other event expenses	12,679	0	12,679	9,208	0	9,208
Professional fees	10,470	0	10,470	7,591	0	7,591
Advertising	4,194	0	4,194	7,272	0	7,272
Bank charges	4,026	0	4,026	531	0	531
Memberships, dues and fees	3,486	0	3,486	2,889	0	2,889
Office expenses	2,221	0	2,221	1,463	0	1,463
Printing and literature	1,610	0	1,610	972	0	972
Travel	749	0	749	1,181	0	1,181
Art gala expenses	0	0	0	6,344	0	6,344
	<u>704,175</u>	<u>0</u>	<u>704,175</u>	<u>617,655</u>	<u>0</u>	<u>617,655</u>
Excess of Revenues over Expenses	\$ 18,651	\$ 30,861	\$ 49,512	\$ 11,068	\$ 35,336	\$ 46,404

The accompanying notes are an integral part of these financial statements

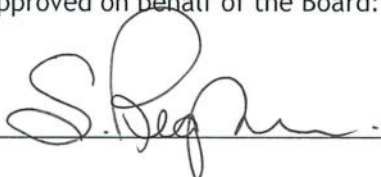
Children's Treatment Centre Foundation of Chatham-Kent Statement of Financial Position

At March 31,

2015

	General Fund	Endowment Fund	Combined
Assets			
Current			
Cash	\$ 172,372	\$ 51	\$ 172,423
Investments (note 3)	122,201	344,156	466,357
Accounts receivable	4,250	0	4,250
Interest receivable	0	20,868	20,868
Prepaid expenses	18,400	0	18,400
HST receivable	2,181	0	2,181
Due from the General Fund	0	12,500	12,500
	319,404	377,575	696,979
Long-Term			
Investments (note 3)	0	479,514	479,514
	\$ 319,404	\$ 857,089	\$ 1,176,493
Liabilities and Fund Balances			
Liabilities			
Due to Children's Treatment Centre of Chatham-Kent (note 4)	\$ 18,973	\$ 0	\$ 18,973
Deferred contributions (note 7)	225,383	0	225,383
Due to the Endowment Fund	12,500	0	12,500
	256,856	0	256,856
Fund Balances			
Internally restricted (page 6)	16,250	749,217	765,467
Externally restricted (page 6)	0	107,872	107,872
Unrestricted	46,298	0	46,298
	62,548	857,089	919,637
	\$ 319,404	\$ 857,089	\$ 1,176,493

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

At March 31,

2014

	General Fund	Endowment Fund	Combined
Assets			
Current			
Cash	\$ 216,354	\$ 10,174	\$ 226,528
Investments (note 3)	171,273	279,242	450,515
Accounts receivable	20,400	0	20,400
Interest receivable	0	21,414	21,414
Prepaid expenses	41,153	0	41,153
	449,180	310,830	760,010
Long-Term			
Investments (note 3)	0	407,898	407,898
	\$ 449,180	\$ 718,728	\$ 1,167,908
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 12,725	\$ 0	\$ 12,725
Due to Children's Treatment Centre of Chatham-Kent (note 4)	20,334	0	20,334
Deferred contributions (note 7)	264,724	0	264,724
	297,783	0	297,783
Fund Balances			
Internally restricted (page 6)	16,250	623,356	639,606
Externally restricted (page 6)	0	95,372	95,372
Unrestricted	135,147	0	135,147
	151,397	718,728	870,125
	\$ 449,180	\$ 718,728	\$ 1,167,908

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, 2015

	Endowment Fund			General Fund			Grand Total
	Internally Restricted	Externally Restricted	Total	Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 623,356	\$ 95,372	\$ 718,728	\$ 16,250	\$ 135,147	\$ 151,397	\$ 870,125
Excess of revenues over expenses	18,361	12,500	30,861	0	18,651	18,651	49,512
Transfer from General Fund to Endowment Fund (note 6)	107,500	0	107,500	0	(107,500)	(107,500)	0
	<u>\$ 749,217</u>	<u>\$ 107,872</u>	<u>\$ 857,089</u>	<u>\$ 16,250</u>	<u>\$ 46,298</u>	<u>\$ 62,548</u>	<u>\$ 919,637</u>

For the year ended March 31, 2014

	Endowment Fund			General Fund			Grand Total
	Internally Restricted	Externally Restricted	Total	Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 420,717	\$ 82,675	\$ 503,392	\$ 16,250	\$ 304,079	\$ 320,329	\$ 823,721
Excess (deficiency) of revenue over expenses	22,639	12,697	35,336	0	11,068	11,068	46,404
Transfer from General Fund to Endowment Fund (note 6)	180,000	0	180,000	0	(180,000)	(180,000)	0
	<u>\$ 623,356</u>	<u>\$ 95,372</u>	<u>\$ 718,728</u>	<u>\$ 16,250</u>	<u>\$ 135,147</u>	<u>\$ 151,397</u>	<u>\$ 870,125</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,

2015

2014

Cash derived from (applied to)

Operations		
Excess of revenue over expenses	\$ 49,512	\$ 46,404
Unrealized gain on investments	(4,315)	(8,019)
Gain on disposal of investments	0	(3,347)
Decrease (increase) in accounts receivable	13,969	(14,800)
Decrease (increase) in interest receivable	546	(8,755)
Decrease (increase) in prepaid expenses	22,753	9,497
(Decrease) increase in accounts payable and accrued liabilities	(12,725)	8,251
(Decrease) increase in deferred contributions	(39,341)	94,024
Net increase in cash from operations	<u>30,399</u>	<u>123,255</u>
Investment Activities		
Purchase of investments	(242,902)	(269,368)
Proceeds on disposal of investments	172,259	80,137
	<u>(70,643)</u>	<u>(189,231)</u>
Financing Activities		
Endowment contributions	(12,500)	(8,248)
Increase (decrease) in amounts due to Children's Treatment Centre of Chatham-Kent	(1,361)	(10,575)
	<u>(13,861)</u>	<u>(18,823)</u>
Change in Cash Position	(54,105)	(84,799)
Cash position at beginning of year	<u>226,528</u>	<u>311,327</u>
Cash position at end of year	<u>\$ 172,423</u>	<u>\$ 226,528</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, 2015

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 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 Foundations day-to-day operations. This fund reports unrestricted resources and restricted operating grants on a deferral method.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the General Fund or Endowment Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

(continued)

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2015

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.

Investment income is recognized as revenue when earned. Investment income earned on endowment fund resources is recognized as revenue of the endowment fund. Investment income earned on general fund resources is recognized as revenue of the general 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.

(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.

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2015

2. Prior Period Adjustment

During the current year, the Children's Treatment Centre Foundation of Chatham-Kent determined that revenue and expenses related to the calendar 2014 Festival of Giving should be deferred and recognized in the period during which the event takes place. Additionally, a previously deferred amount of \$16,250 was brought into income and reclassified as internally restricted. The result of these corrections to the prior year is as follows:

	Prior Year
Decrease in fund balances - beginning of the year	\$ (143,329)
Decrease in Festival of Giving revenue	\$ (35,335)
Decrease in Festival of Giving expenses	2,928
Decrease in excess of revenue of expenses	<u>\$ (32,407)</u>
Decrease in fund balances end of the year	\$ (175,736)
Increase in Prepaid expenses	\$ (30,299)
Increase in Deferred revenue	206,035
	<u>\$ 175,736</u>

3. Investments

Investments in the Endowment Fund are comprised of the following:

	<u>2015</u>	<u>2014</u>
High interest savings account	\$ 25,000	\$ 11,164
GIC's, effective yield of 2.25%, maturing between October 2015 and March 2018 (market value - \$573,072, 2014 - \$471,511)	559,300	473,000
Strip bonds, maturing September 2021 and October 2021 (market value - \$78,170, 2014 - \$69,513)	59,592	59,592
Corporate bonds, maturing September 2017 and December 2017 (market value - \$57,007, 2014 - \$55,804)	55,819	55,819
Equity investments	123,959	87,565
	<u>823,670</u>	<u>687,140</u>
Current portion	344,156	279,242
	<u>\$ 479,514</u>	<u>\$ 407,898</u>

Investments in the General Fund are comprised of money market funds with a market value of \$122,201 (2014 - \$171,273).

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2015

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, 2015, \$18,973 (2014 - \$20,334) is payable to the Children's Treatment Centre of Chatham-Kent for related expenditures and revenue collected on the Foundation's behalf. There are no fixed repayment terms or security.

5. Contributions and Support

Contributions and support expenditures are made up of the following:

	2015	2014
The Children's Treatment Centre of Chatham-Kent	\$ 182,678	\$ 76,931
Festival of Giving partner charities	98,946	85,499
	<u>\$ 281,624</u>	<u>\$ 162,430</u>

6. Interfund Transfers and Internally Restricted Net Assets

In 2015, the Foundation's board of directors internally restricted \$107,500 (2014 - \$180,000) to be held for endowment purposes. Transfers of these amounts were made from the general fund to the endowment fund. These internally restricted amounts are not available for unrestricted purposes without approval of the board of directors.

The general fund includes an internally restricted amount of \$16,250 to be spent on individual client needs.

Children's Treatment Centre Foundation of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2015

7. Deferred Contributions

The balance of \$225,383 (2014 - \$264,724) represents funds received from organizations and individuals to be used exclusively for specific purposes. These funds may have varying dates of completion. These amounts are recorded as a liability as they are unearned at year end.

The breakdown of deferred revenue is as follows:

	2015	2014
Externally Restricted Funds		
Festival of Giving	\$ 202,049	\$ 222,285
Kids Can't Wait campaign	6,694	27,439
Chatham-Kent Cycling Festival campaign	1,640	0
Kids are Kids disability awareness program	15,000	15,000
	<u>\$ 225,383</u>	<u>\$ 264,724</u>

8. Financial Instrument Risk

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 Association 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

The Foundation is exposed to fluctuations in equity markets on its investments.

There have been no changes to the organization's financial instrument risk exposure from the prior year.
