

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

For the year ended March 31, 2016

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## Independent Auditor's Report

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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, 2016 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 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 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, 2016 and 2015, current assets as at March 31, 2016 and 2015, and fund balances as at April 1 and March 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended March 31, 2015 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, 2016 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.

**Emphasis of Matter**

Without modifying our opinion we draw attention to Note 2 to the financial statements which describes adjustments made to prior periods related to interfund transfers.

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario  
June 17, 2016

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

Year Ended March 31,

2016

	General Fund	Investment Fund	Endowment Fund	Combined
<b>Revenue</b>				
Fundraising	\$ 515,171	\$ -	\$ -	\$ 515,171
Donations	113,782	-	-	113,782
Investment income	928	20,084	2,545	23,557
Unrealized gains (losses)	-	(11,804)	(1,568)	(13,372)
	<u>629,881</u>	<u>8,280</u>	<u>977</u>	<u>639,138</u>
<b>Expenses</b>				
Fundraising expenses	308,396	-	-	308,396
Contributions and support (note 5)	351,515	-	-	351,515
Salaries and benefits	77,753	-	-	77,753
Professional fees	16,535	-	-	16,535
Advertising	1,275	-	-	1,275
Bank charges	1,713	-	-	1,713
Memberships, dues and fees	5,453	-	-	5,453
Office expenses	21,790	-	-	21,790
Printing and literature	3,846	-	-	3,846
	<u>788,276</u>	<u>-</u>	<u>-</u>	<u>788,276</u>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>\$ (158,395)</b>	<b>\$ 8,280</b>	<b>\$ 977</b>	<b>\$ (149,138)</b>

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

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

Year Ended March 31,

2015

	General Fund	Investment Fund	Endowment Fund	Combined
<b>Revenue</b>				
Fundraising	\$ 559,553	\$ -	\$ -	\$ 559,553
Donations	161,582	-	12,500	174,082
Investment income	1,691	12,662	1,384	15,737
Unrealized gains (losses)	-	3,890	425	4,315
	<u>722,826</u>	<u>16,552</u>	<u>14,309</u>	<u>753,687</u>
<b>Expenses</b>				
Fundraising expenses	275,859	-	-	275,859
Contributions and support (note 5)	281,624	-	-	281,624
Salaries and benefits	119,936	-	-	119,936
Professional fees	10,470	-	-	10,470
Advertising	4,194	-	-	4,194
Bank charges	4,026	-	-	4,026
Memberships, dues and fees	3,486	-	-	3,486
Office expenses	2,970	-	-	2,970
Printing and literature	1,610	-	-	1,610
	<u>704,175</u>	<u>-</u>	<u>-</u>	<u>704,175</u>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>\$ 18,651</b>	<b>\$ 16,552</b>	<b>\$ 14,309</b>	<b>\$ 49,512</b>

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,

2016

	General Fund	Investment Fund	Endowment Fund	Combined
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 101,715	\$ -	\$ -	\$ 101,715
Investments (note 3)	230,888	115,781	-	346,669
Accounts receivable	40,000	-	-	40,000
Interest receivable	-	21,665	2,878	24,543
Prepaid expenses	53,622	-	-	53,622
HST receivable	3,802	-	-	3,802
Due from the Endowment Fund	-	2,878	-	2,878
	<u>430,027</u>	<u>140,324</u>	<u>2,878</u>	<u>573,229</u>
<b>Long-Term</b>				
Investments (note 3)	-	387,348	81,174	468,522
	<u>\$ 430,027</u>	<u>\$ 527,672</u>	<u>\$ 84,052</u>	<u>\$ 1,041,751</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 24,404	\$ -	\$ -	\$ 24,404
Due to Children's Treatment Centre of Chatham-Kent (note 4)	59,245	-	-	59,245
Deferred contributions (note 7)	184,725	-	-	184,725
Due to the Investment Fund	-	-	2,878	2,878
	<u>268,374</u>	<u>-</u>	<u>2,878</u>	<u>271,252</u>
<b>Fund Balances</b>				
Internally restricted (page 7)	10,250	527,672	-	537,922
Externally restricted (page 7)	-	-	81,174	81,174
Unrestricted (page 7)	151,403	-	-	151,403
	<u>161,653</u>	<u>527,672</u>	<u>81,174</u>	<u>770,499</u>
	<u>\$ 430,027</u>	<u>\$ 527,672</u>	<u>\$ 84,052</u>	<u>\$ 1,041,751</u>

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,

2015

	General Fund	Investment Fund	Endowment Fund	Combined
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 172,372	\$ 51	\$ -	\$ 172,423
Investments (note 3)	367,201	99,156	-	466,357
Accounts receivable	4,250	-	-	4,250
Interest receivable	-	18,811	2,057	20,868
Prepaid expenses	18,400	-	-	18,400
HST receivable	2,181	-	-	2,181
Due from the Endowment Fund	-	2,057	-	2,057
	564,404	120,075	2,057	686,536
<b>Long-Term</b>				
Investments (note 3)	-	398,340	81,174	479,514
	\$ 564,404	\$ 518,415	\$ 83,231	\$ 1,166,050
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to Children's Treatment Centre of Chatham-Kent (note 4)	\$ 18,973	\$ -	\$ -	\$ 18,973
Deferred contributions (note 7)	225,383	-	-	225,383
Due to the Investment Fund	-	-	2,057	2,057
	244,356	-	2,057	246,413
<b>Fund Balances</b>				
Internally restricted (page 7)	16,250	518,415	-	534,665
Externally restricted (page 7)	-	-	81,174	81,174
Unrestricted (page 7)	303,798	-	-	303,798
	320,048	518,415	81,174	919,637
	\$ 564,404	\$ 518,415	\$ 83,231	\$ 1,166,050

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, 2016

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 518,415	\$ 81,174	\$ 16,250	\$ 303,798	\$ 320,048	\$ 919,637
Excess (deficiency) of revenues over expenses	8,280	977	(6,000)	(152,395)	(158,395)	(149,138)
Transfer from Endowment Fund to Investment Fund	977	(977)	-	-	-	-
	<u>\$ 527,672</u>	<u>\$ 81,174</u>	<u>\$ 10,250</u>	<u>\$ 151,403</u>	<u>\$ 161,653</u>	<u>\$ 770,499</u>

For the year ended March 31, 2015

	Investment Fund	Endowment Fund	General Fund			Combined
			Internally Restricted	Unrestricted	Total	
Balance, beginning of year	\$ 500,054	\$ 68,674	\$ 16,250	\$ 285,147	\$ 301,397	\$ 870,125
Excess of revenue over expenses	16,552	14,309	-	18,651	18,651	49,512
Transfer from Endowment Fund to Investment Fund	1,809	(1,809)	-	-	-	-
	<u>\$ 518,415</u>	<u>\$ 81,174</u>	<u>\$ 16,250</u>	<u>\$ 303,798</u>	<u>\$ 320,048</u>	<u>\$ 919,637</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,	2016	2015
<b>Cash derived from (applied to)</b>		
<b>Operations</b>		
Excess (deficiency) of revenue over expenses	\$ (149,138)	\$ 49,512
Unrealized gain (loss) on investments	13,372	(4,315)
Decrease (increase) in accounts receivable	(37,371)	13,969
Decrease (increase) in interest receivable	(3,675)	546
Decrease (increase) in prepaid expenses	(35,222)	22,753
(Decrease) increase in accounts payable and accrued liabilities	24,404	(12,725)
Decrease in deferred contributions	(40,658)	(39,341)
Net (decrease) increase in cash from operations	<u>(228,288)</u>	<u>30,399</u>
<b>Investment Activities</b>		
Purchase of investments	(142,692)	(242,902)
Proceeds on disposal of investments	260,000	172,259
	<u>117,308</u>	<u>(70,643)</u>
<b>Financing Activities</b>		
Investment fund contributions	-	(12,500)
Increase (decrease) in amounts due to Children's Treatment Centre of Chatham-Kent	40,272	(1,361)
	<u>40,272</u>	<u>(13,861)</u>
<b>Change in Cash Position</b>	<b>(70,708)</b>	<b>(54,105)</b>
Cash position at beginning of year	<u>172,423</u>	<u>226,528</u>
Cash position at end of year	<u>\$ 101,715</u>	<u>\$ 172,423</u>

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

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# Children's Treatment Centre Foundation of Chatham-Kent

## Notes to Financial Statements

Year Ended March 31, 2016

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### 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 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.

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# Children's Treatment Centre Foundation of Chatham-Kent

## Notes to Financial Statements

Year Ended March 31, 2016

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### 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.

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# Children's Treatment Centre Foundation of Chatham-Kent

## Notes to Financial Statements

Year Ended March 31, 2016

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### 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.

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### 2. Prior Period Adjustment

During the current year, the Children's Treatment Centre Foundation of Chatham-Kent determined that some of the externally restricted Endowment funds were not truly externally restricted and thus should be shown as a separate internally restricted Investment Fund. In addition certain amounts which were previously presented as transfers from the general fund to the Endowment fund were intended to be transferred to the internally restricted Investment Fund or maintained in the general fund. The result of these corrections to the prior year is as follows:

	<u>2015</u>
Decrease in Endowment Fund - beginning of the year	\$ 650,054
Decrease in transfer from General Fund	\$ 107,500
Increase in transfer to Investment Fund	\$ 1,809
Decrease in Endowment Fund - end of the year	\$ 775,915
Increase in Investment Fund - beginning of the year	\$ 500,054
Increase in transfer from Endowment Fund	\$ 1,809
Increase in Investment Fund - end of the year	\$ 518,415
Increase in General Fund, Unrestricted - beginning of the year	\$ 150,000
Decrease in transfer to Endowment Fund	\$ 107,500
Increase in General Fund, Unrestricted - end of the year	\$ 257,500

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

Year Ended March 31, 2016

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2. Prior Period Adjustment (continued)

	2015
Decrease in investments, Endowment	\$ 742,496
Decrease in interest receivable, Endowment Fund	\$ 18,811
Decrease in total assets, Endowment Fund	\$ 773,858
Increase in due to Investment Fund	\$ 2,057
Decrease in due from General Fund	\$ 12,500
Increase in investments, Investment Fund	\$ 497,496
Increase in interest receivable, Investment Fund	\$ 18,811
Increase in total assets, Investment Fund	\$ 518,415
Increase in due from Endowment Fund	\$ 2,057
Increase in total assets, General Fund	\$ 245,000
Decrease in due to Endowment Fund	\$ 12,500

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3. Investments

Investments held by the Foundation are comprised of the following:

	2016	2015
At amortized cost:		
Money Market Fund	\$ 123,129	\$ 122,201
High interest savings account, weighted average yield of 1.06%	121,450	25,000
GIC's, weighted average yield of 2.08%, maturing between August 2016 and August 2018	341,300	559,300
Strip bonds, weighted average yield of 3.04%, maturing September 2021 and October 2021	59,592	59,592
Corporate bonds, weighted average yield of 3.14%, maturing September 2017 and December 2017	55,819	55,819
At fair value:		
Equity investments	113,901	123,959
	815,191	945,871
Current portion	346,669	466,357
	\$ 468,522	\$ 479,514

The total interest income recognized during the year was \$18,877 (2015 - \$10,510).

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# Children's Treatment Centre Foundation of Chatham-Kent

## Notes to Financial Statements

Year Ended March 31, 2016

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#### 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, 2016, \$59,245 (2015 - \$18,973) is payable to the Children's Treatment Centre of Chatham-Kent. Of this amount, \$19,245 is for expenditures made and revenue collected on the Foundation's behalf. The remaining \$40,000 relates to a commitment made by the Board of Directors for restricted funding to the Children's Treatment Centre. There are no fixed repayment terms or security.

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#### 5. Contributions and Support

Contributions and support expenditures are made up of the following:

	2016	2015
The Children's Treatment Centre of Chatham-Kent	\$ 263,438	\$ 186,457
Festival of Giving partner charities	80,000	90,000
Other	8,077	5,167
	<u>\$ 351,515</u>	<u>\$ 281,624</u>

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#### 6. Interfund Transfers and Internally Restricted Net Assets

The general fund includes an internally restricted amount of \$10,250 to be spent on designated individual needs (2015 - \$16,250).

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# Children's Treatment Centre Foundation of Chatham-Kent

## Notes to Financial Statements

Year Ended March 31, 2016

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### 7. Deferred Contributions

The balance of \$184,725 (2015 - \$225,383) 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:

	2016	2015
Externally Restricted Funds		
Festival of Giving	\$ 179,375	\$ 202,049
Kids Can't Wait campaign	-	6,694
Chatham-Kent Cycling Festival campaign	5,350	1,640
Kids are Kids disability awareness program	-	15,000
	<u>\$ 184,725</u>	<u>\$ 225,383</u>

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### 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 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.

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

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