

Children's Treatment Centre of Chatham-Kent

Financial Statements

For the year ended March 31, 2016

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Children's Treatment Centre 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 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 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 fundraising revenues, excess of revenue over expenses and cash flows from operations for the years ended March 31, 2016 and 2015, current assets 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 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.

Other Matter

We draw attention to Note 2 to the financial statements which describes the impact of a change in accounting policy, related to fund accounting. Our opinion is not qualified in respect to this matter.



Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 9, 2016

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

Year Ended March 31, 2016

	General Fund					Total	Building and Equipment Fund	Total
	Core Program	Respite Program	Early Words Program	Best Start Program	Other Programs			
Revenue								
Ministry (note 6)	\$ 2,457,288	\$ 57,599	\$ 431,309	\$ 0	\$ 0	\$ 2,946,196	\$ 0	\$ 2,946,196
Municipal	0	0	0	143,333	17,522	160,855	0	160,855
Interest income	0	0	0	0	16,215	16,215	0	16,215
Donations	250	0	0	0	108,303	108,553	0	108,553
Other revenue	73,587	0	0	0	550,308	623,895	0	623,895
Amortization of deferred capital contributions	0	0	0	0	0	0	11,571	11,571
	<u>2,531,125</u>	<u>57,599</u>	<u>431,309</u>	<u>143,333</u>	<u>692,348</u>	<u>3,855,714</u>	<u>11,571</u>	<u>3,867,285</u>
Expenses								
Salaries and benefits	2,240,266	57,292	373,382	120,108	504,884	3,295,932	0	3,295,932
Operations	136,396	307	57,927	8,370	8,360	211,360	0	211,360
Other expenses	154,463	0	0	199	161,736	316,398	0	316,398
	<u>2,531,125</u>	<u>57,599</u>	<u>431,309</u>	<u>128,677</u>	<u>674,980</u>	<u>3,823,690</u>	<u>0</u>	<u>3,823,690</u>
Revenue over Expenses before Other Expense	0	0	0	14,656	17,368	32,024	11,571	43,595
Other Expense								
Amortization	0	0	0	0	0	0	129,362	129,362
Excess of Revenues over Expenses (Expenses over Revenue)	\$ 0	\$ 0	\$ 0	\$ 14,656	\$ 17,368	\$ 32,024	\$ (117,791)	\$ (85,767)

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

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

Year Ended March 31, 2015

	General Fund					Total	Building and Equipment Fund	Total
	Core Program	Respite Program	Early Words Program	Best Start Program	Other Programs			
Revenue								
Ministry (note 6)	\$ 2,625,280	\$ 57,599	\$ 423,114	\$ 0	\$ 0	\$ 3,105,993	\$ 0	\$ 3,105,993
Municipal	0	0	0	141,557	0	141,557	0	141,557
Interest income	0	0	0	0	27,387	27,387	0	27,387
Donations	0	0	0	0	140,115	140,115	0	140,115
Other revenue	48,473	0	0	0	321,493	369,966	0	369,966
Amortization of deferred capital contributions	0	0	0	0	0	0	893	893
	<u>2,673,753</u>	<u>57,599</u>	<u>423,114</u>	<u>141,557</u>	<u>488,995</u>	<u>3,785,018</u>	<u>893</u>	<u>3,785,911</u>
Expenses								
Salaries and benefits	2,211,670	57,261	401,257	132,743	228,406	3,031,337	0	3,031,337
Operations	157,153	338	21,857	8,103	0	187,451	0	187,451
Other expenses	304,930	0	0	711	212,205	517,846	0	517,846
	<u>2,673,753</u>	<u>57,599</u>	<u>423,114</u>	<u>141,557</u>	<u>440,611</u>	<u>3,736,634</u>	<u>0</u>	<u>3,736,634</u>
Revenue over Expenses before Other Expense	0	0	0	0	48,384	48,384	893	49,277
Other Expense								
Amortization	0	0	0	0	0	0	115,466	115,466
Excess of Revenues over Expenses (Expenses over Revenue)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,384	\$ 48,384	\$ (114,573)	\$ (66,189)

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

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

At March 31,

2016

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 237,585	\$ 0	\$ 237,585
Investments (note 4)	292,785	0	292,785
Accounts receivable	113,389	0	113,389
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 5)	19,245	0	19,245
Prepaid expenses	26,871	0	26,871
Due from the Building and Equipment Fund	43,557	0	43,557
	733,432	0	733,432
Long-Term			
Investments (note 4)	467,892	0	467,892
Capital assets (note 3)	0	1,031,576	1,031,576
	467,892	1,031,576	1,499,468
	\$ 1,201,324	\$ 1,031,576	\$ 2,232,900
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 7)	\$ 148,956	\$ 0	\$ 148,956
Deferred contributions (note 8)	67,390	0	67,390
Due to the General Fund	0	43,557	43,557
	216,346	43,557	259,903
Long-Term Liabilities			
Deferred capital contributions (note 9)	0	262,264	262,264
	216,346	305,821	522,167
Fund Balances			
Invested in capital assets	0	725,755	725,755
Internally restricted (note 10)	101,980	0	101,980
Unrestricted	882,998	0	882,998
	984,978	725,755	1,710,733
	\$ 1,201,324	\$ 1,031,576	\$ 2,232,900

Approved on behalf of the Board:

_____ Director

_____ Director

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

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

At March 31,

2015

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 173,888	\$ 0	\$ 173,888
Investments (note 4)	300,907	0	300,907
Accounts receivable	133,800	0	133,800
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 5)	18,943	0	18,943
Prepaid expenses	20,690	0	20,690
Due from the Building and Equipment Fund	43,557	0	43,557
	691,785	0	691,785
Long-Term			
Investments (note 4)	479,627	0	479,627
Capital assets (note 3)	0	933,114	933,114
	479,627	933,114	1,412,741
	\$ 1,171,412	\$ 933,114	\$ 2,104,526
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 7)	\$ 188,188	\$ 0	\$ 188,188
Deferred contributions (note 8)	30,270	0	30,270
Due to the General Fund	0	43,557	43,557
	218,458	43,557	262,015
Long-Term Liabilities			
Deferred capital contributions (note 9)	0	46,011	46,011
	218,458	89,568	308,026
Fund Balances			
Invested in capital assets	0	843,546	843,546
Internally restricted (note 10)	163,139	0	163,139
Unrestricted	789,815	0	789,815
	952,954	843,546	1,796,500
	\$ 1,171,412	\$ 933,114	\$ 2,104,526

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

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

For the year ended March 31, 2016

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 163,139	\$ 0	\$ 789,815	\$ 952,954	\$ 843,546	\$ 1,796,500
Excess (deficiency) of revenue over expenses	(61,159)	0	93,183	32,024	(117,791)	(85,767)
Investment in capital assets	(3,721)	(216,525)	(7,578)	(227,824)	227,824	0
Transfer between Capital and General fund	3,721	216,525	7,578	227,824	(227,824)	0
	<u>\$ 101,980</u>	<u>\$ 0</u>	<u>\$ 882,998</u>	<u>\$ 984,978</u>	<u>\$ 725,755</u>	<u>\$ 1,710,733</u>

For the year ended March 31, 2015

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 174,268	\$ 0	\$ 730,302	\$ 904,570	\$ 958,119	\$ 1,862,689
Excess (deficiency) of revenue over expenses	(11,129)	0	59,513	48,384	(114,573)	(66,189)
Investment in capital assets	0	(37,878)	(9,026)	(46,904)	46,904	0
Transfer between Capital and General fund	0	37,878	9,026	46,904	(46,904)	0
	<u>\$ 163,139</u>	<u>\$ 0</u>	<u>\$ 789,815</u>	<u>\$ 952,954</u>	<u>\$ 843,546</u>	<u>\$ 1,796,500</u>

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

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

Year Ended March 31,	2016	2015
Cash derived from (applied to)		
Operations		
Excess of revenue over expenses	\$ (85,767)	\$ (66,189)
Amortization of capital assets	129,362	115,466
Amortization of deferred capital contributions	(11,571)	(893)
	<u>32,024</u>	<u>48,384</u>
Decrease in accounts receivable	20,109	143,186
Decrease (increase) in prepaid expenses	(6,181)	21,927
(Decrease) in accounts payable and accrued liabilities	(39,232)	(69,881)
(Decrease) increase in deferred contributions	37,120	(42,499)
	<u>11,816</u>	<u>52,733</u>
Net increase in cash from operations	<u>43,840</u>	<u>101,117</u>
Financing Activities		
Deferred capital contributions	<u>227,824</u>	<u>46,904</u>
Investments		
Purchase of capital assets	(227,824)	(46,904)
Purchase of investments	(291,799)	(298,141)
Proceeds on disposal of investments	311,656	342,431
	<u>(207,967)</u>	<u>(2,614)</u>
Change in Cash Position	63,697	145,407
Cash position at beginning of year	<u>173,888</u>	<u>28,481</u>
Cash position at end of year	<u>\$ 237,585</u>	<u>\$ 173,888</u>

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

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature and Purpose of Organization

Children's Treatment Centre of Chatham-Kent is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The Centre's principal activities include audiology and children's rehabilitation.

The Centre 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) Revenue Recognition

The Centre follows the deferral method of accounting for contributions which includes donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonable assured.

Deferred contributions related to property, building and equipment are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired property, building and equipment.

(d) Deferred Capital Contributions

Deferred capital contributions consist of funds received for the purchase of property, building and equipment. The funds are to be amortized over the same life as the tangible capital assets which they financed.

(continued)

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

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

(e) Capital Assets

Capital Assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Equipment	5 - 10 years
Land improvements	12.5 years

Amortization expense is reported in the Building and Equipment Fund.

(f) 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.

(g) Contributed Services

Contributed materials and services are not recognized in the financial statements.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

2. Change in Accounting Policy

Effective the beginning of the current year, the Centre changed its accounting policy for fund accounting from the restricted fund method to the deferral method of accounting. Previously under the restricted fund method restricted contributions were recognized as revenue in the appropriate fund during the period it was received. Now under the deferral method restricted contributions will be recognized as revenue in the year in which the related expenses are incurred. Management believes that this policy provides reliable and more relevant information as it results in more transparent treatment of the use of restricted contributions received by the Centre. This change in accounting policy has been accounted for retrospectively for transactions occurring in 2015 and the comparative statements for the prior year have been restated. Opening balances for 2015 have not been restated for transactions prior to 2015.

This change in accounting policy had the following effect on the financial statements:

	2015
Decrease in restricted Building and Equipment Fund donation revenue	\$ 46,904
Increase in amortization of deferred capital contributions	\$ 893
Decrease in retained earnings, end of year	\$ 46,011
Increase in deferred capital contributions	\$ 46,011

3. Capital Assets

	Cost	Accumulated Amortization	2016 Net Book Value
Building	\$ 2,402,633	\$ 1,819,498	\$ 583,135
Equipment	1,453,473	1,150,492	302,981
Land improvements	225,686	80,226	145,460
	\$ 4,081,792	\$ 3,050,216	\$ 1,031,576

	Cost	Accumulated Amortization	2015 Net Book Value
Building	\$ 2,354,523	\$ 1,760,267	\$ 594,256
Equipment	1,283,485	1,075,029	208,456
Land improvements	215,960	85,558	130,402
	\$ 3,853,968	\$ 2,920,854	\$ 933,114

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

4. Investments

Investments in the General Fund are comprised of the following:

	<u>2016</u>	<u>2015</u>
Cash account	\$ 25	\$ 681
High interest savings account	41,260	20,000
Guaranteed investment certificates and other fixed income investments, average yield of 2.2%, maturing between June 2016 and January 2021	671,495	711,956
Strip bonds, average yield of 1.7%, maturing December 2018	<u>47,897</u>	<u>47,897</u>
	<u>760,677</u>	<u>780,534</u>
Less investments maturing in one year	<u>292,785</u>	<u>300,907</u>
	<u>\$ 467,892</u>	<u>\$ 479,627</u>

5. Due from Children's Treatment Centre Foundation of Chatham-Kent

During the current year the Children's Treatment Centre of Chatham-Kent collected funds and paid for expenditures on behalf of the Children's Treatment Centre Foundation of Chatham-Kent. These transactions are in the normal course of operations and are measured at the carrying value. As at March 31, 2016 the Centre has a receivable of \$19,245 (2015 - \$18,943) from the Children's Treatment Centre Foundation of Chatham-Kent. There are no fixed repayment terms or security.

6. Economic Dependence

The majority of the funding for the Centre is from the Province of Ontario in accordance with budget arrangements established by the Ministry of Children and Youth Services. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2016.

The Centre's building is located on government owned land. The Centre pays no rent for use of this land.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$3,598 (2015 - \$5,206) in government remittances payable.

8. Deferred Contributions

Deferred contributions consist of funds received from organizations and individuals to be used exclusively for the specialized assessment and treatment services of Centre clients as well as funding received for specific programs and other specified grants.

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 30,270	\$ 72,769
Amounts received for specified programs and uses	105,084	6,891
Less funds spent or repaid	<u>(67,964)</u>	<u>(49,390)</u>
Balance at end of the year	<u>\$ 67,390</u>	<u>\$ 30,270</u>

The target specific grants and funds have varying dates of completion.

9. Deferred Capital Contributions

Deferred capital contribution related to capital assets represents the unamortized portion of grants and donations received for the purchase of capital assets.

	<u>2016</u>	<u>2015</u>
Deferred Contributions		
Balance at beginning of the year	\$ 46,011	\$ -
Additional capital contributions	227,824	46,904
Less: Amounts amortized to revenue	<u>(11,571)</u>	<u>(893)</u>
Balance at end of the year	<u>\$ 262,264</u>	<u>\$ 46,011</u>

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

10. Internally Restricted Net Assets

The Board of Directors has internally restricted the General fund as follows:

	<u>2016</u>	<u>2015</u>
Employee Donations - Jeans Day	\$ -	\$ 10,542
Fitness Fun Campaign	101,980	152,597
	<u>\$ 101,980</u>	<u>\$ 163,139</u>

These internally restricted amounts are not available for unrestricted purposes without approval of the board of directors.

11. Comparative Figures

The prior years financial statements have been restated to conform to the current years presentation.

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

Credit risk

Credit risk is the risk that the counterparty to a transaction will not pay. The majority of the Centre's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

(continued)

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2016

12. Financial Instrument Risk (continued)

Liquidity risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company 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.

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