

Children's Treatment Centre of Chatham-Kent

Financial Statements

For the year ended March 31, 2018

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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, 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 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, 2018 and 2017, current assets 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 31, 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 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.



Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
May 31, 2018

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

Year Ended March 31, 2018

	General Fund						Total	Building and Equipment Fund	Total
	Core Program	Special Needs Program	Respite Program	Early Words Program	Best Start Program	Other Programs			
Revenue									
Ministry (note 2)	\$ 2,466,599	\$ 260,371	\$ 58,099	\$ 430,460	\$ -	\$ -	\$ 3,215,529	\$ -	\$ 3,215,529
Municipal	-	-	-	-	140,904	-	140,904	-	140,904
Interest income	-	-	-	-	-	19,554	19,554	-	19,554
Donations	-	-	-	-	-	174,834	174,834	-	174,834
Other revenue (note 3)	123,252	-	-	-	-	445,925	569,177	-	569,177
Amortization of deferred capital contributions	-	-	-	-	-	-	-	22,987	22,987
	<u>2,589,851</u>	<u>260,371</u>	<u>58,099</u>	<u>430,460</u>	<u>140,904</u>	<u>640,313</u>	<u>4,119,998</u>	<u>22,987</u>	<u>4,142,985</u>
Expenses									
Salaries and benefits	2,286,745	193,791	49,899	355,932	134,969	375,417	3,396,753	-	3,396,753
Operations	153,670	44,853	8,001	74,528	5,944	2,037	289,033	-	289,033
Other expenses	149,436	21,727	199	-	-	210,016	381,378	-	381,378
	<u>2,589,851</u>	<u>260,371</u>	<u>58,099</u>	<u>430,460</u>	<u>140,913</u>	<u>587,470</u>	<u>4,067,164</u>	<u>-</u>	<u>4,067,164</u>
Revenue over Expenses before Other Expense	-	-	-	-	(9)	52,843	52,834	22,987	75,821
Other Expense Amortization	-	-	-	-	-	-	-	127,653	127,653
Excess of Revenues over Expenses (Expenses over Revenue)	\$ -	\$ -	\$ -	\$ -	\$ (9)	\$ 52,843	\$ 52,834	\$ (104,666)	\$ (51,832)

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, 2017

	General Fund						Total	Building and Equipment Fund	Total
	Core Program	Special Needs Program	Respite Program	Early Words Program	Best Start Program	Other Programs			
Revenue									
Ministry (note 2)	\$ 2,456,495	\$ 27,500	\$ 57,599	\$ 434,309	\$ -	\$ -	\$ 2,975,903	\$ -	\$ 2,975,903
Municipal	-	-	-	-	140,369	24	140,393	-	140,393
Interest income	-	-	-	-	-	17,139	17,139	-	17,139
Donations	1,000	-	-	-	-	151,270	152,270	-	152,270
Other revenue (note 3)	94,209	-	-	-	-	401,194	495,403	-	495,403
Amortization of deferred capital contributions	-	-	-	-	-	-	-	21,407	21,407
	<u>2,551,704</u>	<u>27,500</u>	<u>57,599</u>	<u>434,309</u>	<u>140,369</u>	<u>569,627</u>	<u>3,781,108</u>	<u>21,407</u>	<u>3,802,515</u>
Expenses									
Salaries and benefits	2,270,114	18,911	53,572	375,245	135,538	297,765	3,151,145	-	3,151,145
Operations	135,399	6,052	3,895	59,064	7,746	41,362	253,518	-	253,518
Other expenses	146,191	2,537	132	-	-	237,682	386,542	-	386,542
	<u>2,551,704</u>	<u>27,500</u>	<u>57,599</u>	<u>434,309</u>	<u>143,284</u>	<u>576,809</u>	<u>3,791,205</u>	<u>-</u>	<u>3,791,205</u>
Revenue over Expenses before Other Expense	-	-	-	-	(2,915)	(7,182)	(10,097)	21,407	11,310
Other Expense									
Amortization	-	-	-	-	-	-	-	135,046	135,046
Excess of Revenues over Expenses (Expenses over Revenue)	\$ -	\$ -	\$ -	\$ -	\$ (2,915)	\$ (7,182)	\$ (10,097)	\$ (113,639)	\$ (123,736)

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,

2018

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 377,230	\$ -	\$ 377,230
Investments (note 4)	224,248	-	224,248
Accounts receivable	187,652	-	187,652
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 5)	31,647	-	31,647
Prepaid expenses	49,208	-	49,208
Due from the Building and Equipment Fund	43,557	-	43,557
	913,542	-	913,542
Long-Term			
Investments (note 4)	549,605	-	549,605
Capital assets (note 6)	-	946,390	946,390
	549,605	946,390	1,495,995
	\$ 1,463,147	\$ 946,390	\$ 2,409,537
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 7)	\$ 352,210	\$ -	\$ 352,210
Deferred contributions (note 8)	83,222	-	83,222
Due to the General Fund	-	43,557	43,557
	435,432	43,557	478,989
Long-Term Liabilities			
Deferred capital contributions (note 9)	-	395,383	395,383
	435,432	438,940	874,372
Fund Balances			
Invested in capital assets	-	507,450	507,450
Internally restricted (note 10)	322,602	-	322,602
Unrestricted	705,113	-	705,113
	1,027,715	507,450	1,535,165
	\$ 1,463,147	\$ 946,390	\$ 2,409,537

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,

2017

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 295,026	\$ -	\$ 295,026
Investments (note 4)	329,356	-	329,356
Accounts receivable	106,206	-	106,206
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 5)	24,190	-	24,190
Prepaid expenses	27,135	-	27,135
Due from the Building and Equipment Fund	43,557	-	43,557
	825,470	-	825,470
Long-Term			
Investments (note 4)	433,083	-	433,083
Capital assets (note 6)	-	909,695	909,695
	433,083	909,695	1,342,778
	\$ 1,258,553	\$ 909,695	\$ 2,168,248
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 7)	\$ 185,717	\$ -	\$ 185,717
Deferred contributions (note 8)	97,955	-	97,955
Due to the General Fund	-	43,557	43,557
	283,672	43,557	327,229
Long-Term Liabilities			
Deferred capital contributions (note 9)	-	254,022	254,022
	283,672	297,579	581,251
Fund Balances			
Invested in capital assets	-	612,116	612,116
Internally restricted (note 10)	79,929	-	79,929
Unrestricted	894,952	-	894,952
	974,881	612,116	1,586,997
	\$ 1,258,553	\$ 909,695	\$ 2,168,248

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, 2018

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 79,929	\$ -	\$ 894,952	\$ 974,881	\$ 612,116	\$ 1,586,997
Excess (deficiency) of revenue over expenses	242,673	-	(189,839)	52,834	(104,666)	(51,832)
Investment in capital assets	-	(105,659)	(58,691)	(164,350)	164,350	-
Transfer between Building and Equipment fund and General fund	-	105,659	58,691	164,350	(164,350)	-
	<u>\$ 322,602</u>	<u>\$ 0</u>	<u>\$ 705,113</u>	<u>\$ 1,027,715</u>	<u>\$ 507,450</u>	<u>\$ 1,535,165</u>

For the year ended March 31, 2017

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 112,405	\$ -	\$ 872,573	\$ 984,978	\$ 725,755	\$ 1,710,733
Excess (deficiency) of revenue over expenses	(32,476)	-	22,379	(10,097)	(113,639)	(123,736)
Investment in capital assets	-	(13,164)	-	(13,164)	13,164	-
Transfer between Building and Equipment fund and General fund	-	13,164	-	13,164	(13,164)	-
	<u>\$ 79,929</u>	<u>\$ 0</u>	<u>\$ 894,952</u>	<u>\$ 974,881</u>	<u>\$ 612,116</u>	<u>\$ 1,586,997</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,	2018	2017
Cash derived from (applied to)		
Operations		
Excess of revenue over expenses (expenses over revenue)	\$ (51,832)	\$ (123,736)
Amortization of capital assets	127,653	135,046
Amortization of deferred capital contributions	(22,987)	(21,407)
	<u>52,834</u>	<u>(10,097)</u>
Decrease (increase) in accounts receivable	(88,903)	2,239
Decrease (increase) in prepaid expenses	(22,073)	(264)
Increase (decrease) in accounts payable and accrued liabilities	166,493	36,761
Increase (decrease) in deferred contributions	(14,733)	30,565
	<u>40,784</u>	<u>69,301</u>
Net increase in cash from operations	<u>93,618</u>	<u>59,204</u>
Financing Activities		
Deferred capital contributions	<u>164,348</u>	<u>13,165</u>
Investments		
Purchase of capital assets	(164,348)	(13,165)
Purchase of investments	(311,015)	(205,322)
Proceeds on disposal of investments	299,601	203,559
	<u>(175,762)</u>	<u>(14,928)</u>
Change in Cash Position	82,204	57,441
Cash position at beginning of year	<u>295,026</u>	<u>237,585</u>
Cash position at end of year	<u>\$ 377,230</u>	<u>\$ 295,026</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, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature and Purpose of Organization

Children's Treatment Centre of Chatham-Kent ("the Centre") 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 capital assets are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(d) Deferred Capital Contributions

Deferred capital contributions consist of funds received for the purchase of capital assets. 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, 2018

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, 2018

2. 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, 2018.

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

3. Other Revenue

Included in other revenue for the Core Program are internal transfers of \$113,271 (2017 - \$89,824) to cover general administrative costs for non-core programs. These general administrative costs are initially funded through the core program but allocated to other non-core programs based on staffing or other usage. The allocations are included in operations and other expenses for the non-core programs.

4. Investments

Investments in the General Fund are comprised of the following:

	2018	2017
Cash account	\$ 89	\$ 50,991
High interest savings account	29,961	38,345
Guaranteed investment certificates and other fixed income investments, average yield of 2.05%, maturing between May 2018 and November 2021	695,906	625,206
Strip bonds, average yield of 1.7%, maturing December 2018	47,897	47,897
	<u>773,853</u>	<u>762,439</u>
Less investments maturing in one year	224,248	329,356
	<u>\$ 549,605</u>	<u>\$ 433,083</u>

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

Year Ended March 31, 2018

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, 2018 the Centre has a receivable of \$31,647 (2017 - \$24,190) from the Children's Treatment Centre Foundation of Chatham-Kent. There are no fixed repayment terms or security.

6. Capital Assets

	Cost	Accumulated Amortization	2018 Net Book Value
Building	\$ 2,532,356	\$ 1,939,990	\$ 592,366
Equipment	1,501,263	1,256,589	244,674
Land improvements	225,686	116,336	109,350
	<u>\$ 4,259,305</u>	<u>\$ 3,312,915</u>	<u>\$ 946,390</u>

	Cost	Accumulated Amortization	2017 Net Book Value
Building	\$ 2,402,633	\$ 1,879,563	\$ 523,070
Equipment	1,466,637	1,207,417	259,220
Land improvements	225,686	98,281	127,405
	<u>\$ 4,094,956</u>	<u>\$ 3,185,261</u>	<u>\$ 909,695</u>

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$2,255 (2017 - \$3,302) in government remittances payable.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

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>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 97,955	\$ 67,390
Amounts received for specified programs and uses	103,494	105,176
Less funds spent or repaid	(118,227)	(74,611)
Balance at end of the year	<u>\$ 83,222</u>	<u>\$ 97,955</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>2018</u>	<u>2017</u>
Balance at beginning of the year	\$ 254,022	\$ 262,264
Additional capital contributions	164,348	13,165
Less: Amounts amortized to revenue	(22,987)	(21,407)
Balance at end of the year	<u>\$ 395,383</u>	<u>\$ 254,022</u>

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2018

10. Internally Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Employee Donations - Jeans Day	\$ 6,665	\$ 10,828
Fitness Fun Campaign	65,937	69,101
Building Campaign	250,000	-
	<u>\$ 322,602</u>	<u>\$ 79,929</u>

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

11. Financial Instrument Risk

The following analysis provides information about the Company's risk exposure and concentration on 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 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.

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.
