

Financial statements of

**Children's Aid
Foundation of Halton**

June 30, 2013 and June 30, 2012

Children’s Aid Foundation of Halton

June 30, 2012 and June 30, 2013

Table of contents

Independent Auditor’s Report 1-2

Statements of operations and changes in fund balances 3

Statements of financial position 4

Statements of cash flows 5

Notes to the financial statements 6-9

Independent Auditor's Report

To the Members of
Children's Aid Foundation of Halton

We have audited the accompanying financial statements of Children's Aid Foundation of Halton, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operations and changes in fund balances, and of cash flows for the years ended June 30, 2013 and June 30, 2012, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian accounting standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 purposes of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the 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 in our audits 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, the Children's Aid Foundation of Halton derives revenue from various sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the accounts, and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, deferred revenue, assets and fund balances.

The Children's Aid Foundation of Halton fixed asset policy indicates that the Foundation capitalizes the group homes but does not record amortization on them; all other fixed assets are expensed when acquired. Canadian accounting standards for not-for-profit organizations require that fixed assets be recorded at cost when acquired and amortization be recognized for fixed assets with limited useful lives as an expense over the useful life of the fixed asset. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The effect of this departure from Canadian accounting standards for not-for-profit organizations has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, these financial statements present fairly, in all material respects, the financial position of the Children's Aid Foundation of Halton as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
October 21, 2013

Children's Aid Foundation of Halton

Statements of operations and changes in fund balances
years ended June 30, 2013 and June 30, 2012

	Operating fund	Capital fund	Bequest fund	2013 Total	Operating fund	Capital fund	Bequest fund	2012 Total (Note 2)
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	112,065	-	-	112,065	155,359	-	-	155,359
Donations in kind	21,110	-	-	21,110	21,933	-	-	21,933
Bingo, net	12,373	-	-	12,373	19,597	-	-	19,597
Special events	138,284	-	-	138,284	141,139	-	-	141,139
Interest and miscellaneous	2,339	-	226	2,565	7,750	-	202	7,952
Property income	87,023	-	-	87,023	55,764	-	-	55,764
Gain on disposal of fixed assets	-	143,142	-	143,142	-	-	-	-
	373,194	143,142	226	516,562	401,542	-	202	401,744
Expenditures								
Donations - Halton Children's Aid Society (Note 7)	171,581	-	-	171,581	220,245	-	-	220,245
Special events	34,051	-	-	34,051	34,174	-	-	34,174
Receiving homes	76,305	-	-	76,305	56,764	-	-	56,764
Fundraising	66,380	-	-	66,380	53,848	-	-	53,848
Administrative and miscellaneous	34,951	-	20	34,971	33,837	-	-	33,837
Audit and accounting	10,694	-	-	10,694	10,000	-	-	10,000
	393,962	-	20	393,982	408,868	-	-	408,868
(Deficiency) excess of revenue over expenditures for the year	(20,768)	143,142	206	122,580	(7,326)	-	202	(7,124)
Fund balances, beginning of the year	138,170	496,368	22,192	656,730	161,008	480,856	21,990	663,854
Interfund transfers (Note 6)	367,799	(367,799)	-	-	(15,512)	15,512	-	-
Fund balances, end of year	485,201	271,711	22,398	779,310	138,170	496,368	22,192	656,730

The accompanying notes to the financial statements are an integral part of this financial statement.

Children's Aid Foundation of Halton

Statements of financial position

as at June 30, 2013, June 30, 2012 and July 1, 2011

	Operating fund	Capital fund	Bequest fund	June 30, 2013 Total	Operating fund	Capital fund	Bequest fund	June 30, 2012 Total (Note 2)	July 1, 2011 Total (Note 2)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash (Note 4)	509,822	-	22,398	532,220	123,543	-	22,192	145,735	147,688
Accounts receivable	5,854	-	-	5,854	15,598	-	-	15,598	30,346
Harmonized sales tax receivable	11,154	-	-	11,154	12,606	-	-	12,606	14,384
Prepaid expenses	6,060	-	-	6,060	6,001	-	-	6,001	7,386
	532,890	-	22,398	555,288	157,748	-	22,192	179,940	199,804
Fixed assets									
Group home - Milton	-	-	-	-	-	266,500	-	266,500	266,500
Group home - Burlington	-	147,442	-	147,442	-	147,442	-	147,442	147,442
Group home - Burlington	-	409,282	-	409,282	-	409,282	-	409,282	409,282
	-	556,724	-	556,724	-	823,224	-	823,224	823,224
	532,890	556,724	22,398	1,112,012	157,748	823,224	22,192	1,003,164	1,023,028
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	39,989	-	-	39,989	5,078	-	-	5,078	366
Deferred revenue	7,700	-	-	7,700	14,500	-	-	14,500	16,440
Current portion of long-term debt (Note 5)	-	285,013	-	285,013	-	41,788	-	41,788	48,737
	47,689	285,013	-	332,702	19,578	41,788	-	61,366	65,543
Long-term debt									
Loans payable (Note 5)	-	-	-	-	-	285,068	-	285,068	293,631
	47,689	285,013	-	332,702	19,578	326,856	-	346,434	359,174
Fund balances									
Invested in fixed assets	-	271,711	-	271,711	-	496,368	-	496,368	480,856
Internally restricted (Note 4)	482,773	-	-	482,773	100,000	-	-	100,000	95,350
Unrestricted	2,428	-	22,398	24,826	38,170	-	22,192	60,362	87,648
	485,201	271,711	22,398	779,310	138,170	496,368	22,192	656,730	663,854
	532,890	556,724	22,398	1,112,012	157,748	823,224	22,192	1,003,164	1,023,028

Approved by the Board

_____ Director

_____ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Children's Aid Foundation of Halton

Statements of cash flows

years ended June 30, 2013 and June 30, 2012

	2013	2012
		(Note 2)
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenditures	122,580	(7,124)
Item not affecting cash		
Gain on disposal of fixed assets	(143,142)	-
Changes in non-cash operating working capital items		
Accounts receivable	9,744	14,748
Harmonized sales tax receivable	1,452	1,778
Prepaid expenses	(59)	1,385
Accounts payable	34,911	4,712
Deferred revenue	(6,800)	(1,940)
	18,686	13,559
Investing activity		
Proceeds on disposal of fixed assets	409,642	-
Financing activity		
Repayment of loan payable	(41,843)	(15,512)
Net change in cash	386,485	(1,953)
Cash, beginning of year	145,735	147,688
Cash, end of year	532,220	145,735

The accompanying notes to the financial statements are an integral part of this financial statement.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2013 and June 30, 2012

1. Nature of operations

The Children's Aid Foundation of Halton (the "Foundation") was incorporated by letters patent under the Corporations Act of Ontario as a corporation without share capital. Its purpose is to raise money and distribute funds for projects and programs consistent with the mandate of the Halton Children's Aid Society (the "Society") and to supplement the public funding of the Society. Twenty-five percent (25%) of the board of directors of the Foundation shall be nominees of the Society.

2. Adoption of a new accounting framework

During the year ended June 30, 2013, the Foundation adopted the new accounting standards for not-for-profit organizations ("the new standards") issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, First-time adoption, ("Section 1501"), the date of transition to the new standards is July 1, 2011 and the Foundation has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1501 have been applied. No optional exemptions were applied by the Foundation.

Impact of adoption of the new standards

The adoption of the new standards had no impact on the statement of changes in fund balances for the year ended June 30, 2012 or on the statement of operations for the year ended June 30, 2012.

The adoption of the new standards had no impact on the statement of financial position as at June 30, 2012 and July 1, 2011.

The inclusion of the statement of cash flows is a result of the transition to the new accounting standards.

3. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Fund accounting

The following funds are used to account for the Foundation's activities:

Operating fund

Revenue and expenditures other than those recorded in special purpose funds are recorded in the operating fund.

Capital fund

The Capital Fund records the purchase of group homes and the related liabilities.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2013 and June 30, 2012

3. Accounting policies (continued)

Bequest fund

The Bequest Fund includes significant donations to the Foundation along with income earned on the invested funds. The donations may be restricted in use.

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 that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Key components of the financial statements requiring management to make estimates include accrued liabilities and deferred revenue. Actual results could differ from these estimates.

Cash

Cash includes cash on hand and in the bank.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are initially recorded as deferred revenue and are subsequently recognized as revenue in the year in which the related expenses are incurred. Revenue from donations and fundraising activities are recorded when received.

Donated goods and services

The value of goods and services donated to the Foundation is not reflected in these financial statements unless the fair value can be determined.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured at fair value subsequent to initial recognition are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenditures as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in net income an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to excess of revenue over expenditures in the period the reversal occurs.

Fixed assets

Capital expenditures, with the exception of group homes, are charged to operations in the year in which the payment is made. Group homes are recorded at cost and are not amortized.

Impairment of long-lived assets

Long-lived assets such as fixed assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of impairment.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2013 and June 30, 2012

3. Accounting policies (continued)

Income taxes

The Foundation qualifies for tax-exempt status as a registered charity as defined in the Income Tax Act. It also meets the requirements of a public foundation pursuant to the Income Tax Act.

4. Cash

Restricted

The Operating Fund cash includes no amount (2012 - \$nil, 2011 - \$5,440) that has external restrictions on its use. However, the Operating Fund cash includes \$482,773 (2012 - \$100,000, 2011 - \$95,350) that has internal restrictions on its use. These funds are to be used to assist with the sustainability of the Foundation.

Bequest fund

The cash balance in the bequest fund is deposited in an interest bearing bank account with a chartered bank.

5. Loans payable

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Mortgage payable			
First Ontario Credit Union Ltd., with interest at 4.75%, repayable in blended monthly instalments of \$760, due June 10, 2013. Secured by Milton group home.	-	33,181	40,505
Term loan payable			
Royal Bank of Canada, with interest at 4.06%, repayable in blended monthly instalments of \$1,699, due February 1, 2014. Secured by a Burlington group home.	285,013	293,675	301,863
	285,013	326,856	342,368
Less: current portion	285,013	41,788	48,737
	-	285,068	293,631

During the year the Foundation paid \$13,366 (2012 - \$14,048) in interest on its long-term loans payable.

6. Interfund transfers

During the year, the Foundation transferred \$41,843 (2012 - \$15,512) from the Operating Fund to the Capital Fund relating to mortgage principal repayments and \$409,642 (2012 - \$nil) from the Capital Fund to the Operating Fund relating to the disposal of fixed assets.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2013 and June 30, 2012

7. Related party transactions

During the year, the Foundation had the following transactions with the Society:

	2013	2012
	\$	\$
Donations		
Bursaries	62,780	84,580
Summer camp	4,660	4,900
Seasonal gifts	39,891	43,565
Bridging the Gap	2,200	410
Playground	-	50
Life skills	9,000	9,000
After school	9,320	7,950
Other programs	43,730	69,790
	171,581	220,245
Administrative, fundraising and program costs	94,622	91,895
	266,203	312,140

The Foundation and the Society have entered into a relationship and services agreement whereby the Society will provide management, financial, staff and administrative services to the Foundation. These costs amounted to \$94,622 (2012 - \$91,895). The agreement can be terminated upon ninety days written notice.

8. Financial instruments

Credit risk

Credit risk arises from the potential that the counterparty will fail to perform its obligation. The Foundation is exposed to credit risk with respect to accounts receivable.

The Foundation is also exposed to concentration of credit risk through its cash balances which, from time to time, are in excess of federally insured limits. The Foundation limits this risk by transacting with large reputable financial institutions.

Interest rate risk

The Foundation is exposed to interest rate risk on its fixed rate long-term debt. This exposes the Foundation to the risk of changing interest rates when the long-term debt is renewed. The Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

Liquidity risk

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at June 30, 2013, June 30, 2012 and July 1, 2011, the most significant financial liability is long-term debt.

9. Subsequent event

Subsequent to year end, on September 23, 2013, the Foundation entered into an agreement to sell a Burlington group home for proceeds of \$370,000. The Burlington group home is recorded on the balance sheet at a book value of \$147,442. The estimated gain on disposal from this transaction is approximately \$223,000, less closing costs which are not estimable at this time. The expected closing date is November 28, 2013.