

Financial statements of

**Children's Aid
Foundation of Halton**

June 30, 2014

Children’s Aid Foundation of Halton

June 30, 2014

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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 statement of financial position as at June 30, 2014, and the statement of operations and changes in fund balances, and of 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 misstatements, 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 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 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, 2014, 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, Chartered Accountants
Licensed Public Accountants
October 23, 2014

Children's Aid Foundation of Halton

Statement of operations and changes in fund balances

year ended June 30, 2014

	Operating fund	Capital fund	Bequest fund	Restricted Investment Fund	2014 Total	2013 Total
	\$	\$	\$		\$	\$
Revenue						
Donations	161,545	-	-	-	161,545	112,065
Donations in kind	27,530	-	-	-	27,530	21,110
Bingo, net	4,589	-	-	-	4,589	12,373
Special events	207,304	-	-	-	207,304	138,284
Interest and miscellaneous	11,201	-	207	-	11,408	2,565
Investment income	748	-	-	5,498	6,246	-
Property income	20,400	-	-	-	20,400	87,023
Gain on disposal of fixed assets	-	212,635	-	-	212,635	143,142
	433,317	212,635	207	5,498	651,657	516,562
Expenditures						
Donations - Halton Children's Aid Society (Note 8)	276,243	-	-	-	276,243	171,581
Special events	54,072	-	-	-	54,072	34,051
Receiving homes	22,797	-	-	-	22,797	76,305
Fundraising	68,475	-	-	-	68,475	66,380
Administrative and miscellaneous	40,566	-	-	-	40,566	34,971
Audit and accounting	9,289	-	-	-	9,289	10,694
	471,442	-	-	-	471,442	393,982
(Deficiency) excess of revenue over expenditures for the year	(38,125)	212,635	207	5,498	180,215	122,580
Fund balances, beginning of the year	485,201	271,711	22,398	-	779,310	656,730
Interfund transfers (Note 7)	(361,527)	(350,868)	(22,605)	735,000	-	-
Fund balances, end of year	85,549	133,478	-	740,498	959,525	779,310

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

Children's Aid Foundation of Halton

Statement of financial position
as at June 30, 2014

	Operating fund	Capital fund	Restricted Investment Fund	2014 Total	2013 Total
	\$	\$		\$	\$
Assets					
Current assets					
Cash	-	-	-	-	532,220
Accounts receivable	30,881	-	-	30,881	5,854
Harmonized sales tax receivable	8,508	-	-	8,508	11,154
Prepaid expenses	500	-	-	500	6,060
Operating investment (Note 3)	100,748	-	-	100,748	-
	140,637	-	-	140,637	555,288
Long-term assets					
Restricted investment (Note 4)	-	-	740,498	740,498	-
Group home - Burlington	-	-	-	-	147,442
Group home - Burlington	-	409,282	-	409,282	409,282
	-	409,282	740,498	1,149,780	556,724
	140,637	409,282	740,498	1,290,417	1,112,012
Liabilities					
Current liabilities					
Bank indebtedness (Note 5)	4,763	-	-	4,763	-
Accounts payable and accrued liabilities	48,625	-	-	48,625	39,989
Deferred revenue	1,700	-	-	1,700	7,700
Current portion of loan payable (Note 6)	-	9,920	-	9,920	285,013
	55,088	9,920	-	65,008	332,702
Long-term debt					
Loan payable (Note 6)	-	265,884	-	265,884	-
	55,088	275,804	-	330,892	332,702
Fund balances					
Invested in fixed assets	-	133,478	-	133,478	271,711
Internally restricted	-	-	740,498	740,498	482,773
Unrestricted	85,549	-	-	85,549	24,826
	85,549	133,478	740,498	959,525	779,310
	140,637	409,282	740,498	1,290,417	1,112,012

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

Statement of cash flows year ended June 30, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenue over expenditures	180,215	122,580
Items not affecting cash		
Gain on disposal of fixed assets	(212,635)	(143,142)
Investment income	(6,246)	-
Changes in non-cash operating working capital items		
Accounts receivable	(25,027)	9,744
Harmonized sales tax receivable	2,646	1,452
Prepaid expenses	5,560	(59)
Accounts payable	8,636	34,911
Deferred revenue	(6,000)	(6,800)
	(52,851)	18,686
Investing activities		
Purchase of operating investment	(100,000)	-
Purchase of restricted investment	(735,000)	-
Proceeds on disposal of fixed assets	360,077	409,642
	(474,923)	409,642
Financing activities		
Repayment of loan payable	(9,209)	(41,843)
Net change in cash	(536,983)	386,485
Cash, beginning of year	532,220	145,735
(Bank indebtedness) cash, end of year	(4,763)	532,220

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, 2014

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. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, except for the accounting for fixed assets as described below, 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.

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. This fund was closed in current year and fund balance is transferred to the Restricted Investment Fund.

Restricted investment fund

The Restricted Investment Fund includes funds invested with the Oakville Community Foundation and is internally restricted by the Board of Directors. This fund has been created to use the earnings to assist with the sustainability of the Foundation.

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.

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.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2014

2. Accounting policies (continued)

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.

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.

3. Operating investment

The operating investment is held by the Oakville Community Foundation. Investment amounts are included in the accounts of the Foundation at market value based on the Foundation's proportionate share of the funds.

4. Restricted investment

The restricted investment is held by the Oakville Community Foundation. Investment amounts are included in the accounts of the Foundation at market value based on the Foundation's proportionate share of the funds.

5. Bank indebtedness

Bank indebtedness represents outstanding cheques issued in excess of the bank balance.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2014

6. Loan payable

	2014	2013
	\$	\$
Term loan payable		
Royal Bank of Canada, with interest at 3.53% (2013 - 4.06%), repayable in blended monthly instalments of \$1,627, due February 2, 2019. Secured by a Burlington group home.	275,804	285,013
Less: current portion	9,920	285,013
	265,884	-

During the year the Foundation paid \$10,893 (2013 - \$13,366) in interest on its loan payable. Principal payments required in each of the next five years are as follows:

	\$
2015	9,920
2016	10,305
2017	10,675
2018	11,058
2019	233,846
	275,804

7. Interfund transfers

During the year, the Foundation transferred \$9,209 (2013 - 41,843) from the Operating Fund to the Capital Fund relating to loan principal repayments and \$360,077 (2013 - \$409,642) from the Capital Fund to the Operating Fund relating to the proceeds on the sale of a group home.

The Foundation transferred \$712,395 (2013 - \$nil) from the capital fund and \$22,605 (2013 - \$nil) from the Bequest fund to the Restricted Investment Fund relating to the purchase of investments.

8. Related party transactions

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

	2014	2013
	\$	\$
Donations		
Bursaries	95,288	62,780
Summer camp	-	4,660
Seasonal gifts	11,355	39,891
Bridging the Gap	5,300	2,200
Life skills	5,100	9,000
After school	53,044	9,320
Other programs	106,156	43,730
	276,243	171,581
Administrative, fundraising and program costs	86,939	94,622
	363,182	266,203

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2014

8. Related party transactions (continued)

The Foundation and the Society have entered into a relationship and services agreement whereby the Society will provide management, fundraising, financial, staff and administrative services to the Foundation. These costs amounted to \$86,939 (2013 - \$94,622). The agreement can be terminated upon ninety days written notice.

9. 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 loan payable. This exposes the Foundation to the risk of changing interest rates when the loan payable 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, 2014, the most significant financial liability is the loan payable.