

Financial statements of

**Children's Aid
Foundation of Halton**

June 30, 2016

Children’s Aid Foundation of Halton

June 30, 2016

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Independent Auditor's Report

To the Board of Directors 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, 2016, and the statements 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, (deficiency) excess of revenue over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter 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, 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
September 19, 2016

Children's Aid Foundation of Halton

Statement of operations and changes in fund balances

year ended June 30, 2016

	Operating fund	Capital fund	Restricted Investment Fund	2016 Total	2015 Total (Restated) (Note 2)
	\$	\$	\$	\$	\$
Revenue					
Donations	169,272	-	-	169,272	183,212
Donations in kind	39,556	-	-	39,556	24,548
Special events	255,781	-	-	255,781	192,308
Interest and miscellaneous	389	-	-	389	928
Investment income (loss)	(1,641)	-	(6,974)	(8,615)	40,324
Property income	52,794	-	-	52,794	27,988
	516,151	-	(6,974)	509,177	469,308
Expenditures					
Donations - Halton Children's Aid Society (Note 9)	229,636	-	-	229,636	196,627
Special events	76,630	-	-	76,630	61,923
Receiving homes	61,966	-	-	61,966	27,250
Fundraising	56,990	-	-	56,990	55,902
Administrative and miscellaneous	87,756	-	-	87,756	52,475
Audit and accounting	8,195	-	-	8,195	9,096
Depreciation (Note 2)	-	15,348	-	15,348	15,348
	521,173	15,348	-	536,521	418,621
Excess (deficiency) of revenue over expenditures for the year	(5,022)	(15,348)	(6,974)	(27,344)	50,687
Fund balances, beginning of the year (as restated - Note 2)	120,877	45,032	761,255	927,164	876,477
Interfund transfers (Note 8)	16,359	10,281	(26,640)	-	-
Fund balances, end of year	132,214	39,965	727,641	899,820	927,164

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, 2016

	Operating fund	Capital fund	Restricted Investment Fund	2016 Total	2015 Total (Restated) (Note 2)
	\$	\$		\$	\$
Assets					
Current assets					
Cash	11,906	-	-	11,906	15,900
Accounts receivable	21,984	-	-	21,984	17,345
Harmonized sales tax receivable	11,679	-	-	11,679	9,237
Operating investment (Note 4)	97,785	-	-	97,785	120,315
	143,354	-	-	143,354	162,797
Long-term assets					
Restricted investment (Note 5)	-	-	727,641	727,641	761,255
Group home (Note 6)	-	295,538	-	295,538	310,886
	-	295,538	727,641	1,023,179	1,072,141
	143,354	295,538	727,641	1,166,533	1,234,938
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	11,140	-	-	11,140	40,220
Deferred revenue	-	-	-	-	1,700
Current portion of loan payable (Note 7)	-	10,700	-	10,700	10,305
	11,140	10,700	-	21,840	52,225
Long-term debt					
Loan payable (Note 7)	-	244,873	-	244,873	255,549
	11,140	255,573	-	266,713	307,774
Fund balances					
Invested in fixed assets	-	39,965	-	39,965	120,877
Internally restricted	-	-	727,641	727,641	45,032
Unrestricted	132,214	-	-	132,214	761,255
	132,214	39,965	727,641	899,820	927,164
	143,354	295,538	727,641	1,166,533	1,234,938

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, 2016

	2016	2015 (Restated) (Note 2)
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenditures	(27,344)	50,687
Items not affecting cash		
Investment loss/(gain)	8,615	(40,324)
Depreciation	15,348	15,348
Changes in non-cash operating working capital items		
Accounts receivable	(4,639)	13,536
Harmonized sales tax receivable	(2,442)	(729)
Prepaid expenses	-	500
Accounts payable and accrued liabilities	(29,080)	(8,405)
Deferred revenue	(1,700)	-
	(41,242)	30,613
Investing activity		
Withdrawal from investment	47,529	-
Financing activity		
Repayment of loan payable	(10,281)	(9,950)
Net change in cash	(3,994)	20,663
Cash (bank indebtedness), beginning of year	15,900	(4,763)
Cash, end of year	11,906	15,900

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, 2016

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.

2. Prior period adjustment

During the year, the Organization decided to amortize the group home, the adjustment was retroactive to its purchase date of February 1, 2009.

The organization has restated its 2015 financial statements which resulted in decreasing the opening Capital fund balance by \$83,048, increasing its expenditures and decreasing the excess of revenue over expenditures for the year by \$15,348.

	Operating Fund	Capital Fund	Restricted Investment Fund	2016 Total	2015 Total (Restated)
	\$	\$	\$	\$	\$
Fund balances, beginning of the year (as previously reported)	120,877	143,428	761,255	1,025,560	959,525
Adjustment to opening fund balances	-	(98,396)	-	(98,396)	(83,048)
Fund balances, beginning of the year (as restated)	120,877	45,032	761,255	927,164	876,477

3. 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.

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 the useful life of the group home, accrued liabilities and deferred revenue. Actual results could differ from these estimates.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2016

3. Accounting policies (continued)

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 except for the following:

- a) Investments in unlisted shares, which are measured at cost less any reduction for impairment;
- b) Investments in listed shares and derivative financial instruments that are not designed in a qualifying hedging relationship, which are measured at fair value at the balance sheet date. The fair value of the listed shares is based on the latest closing price, and the fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Interest earned on short-term investments and bonds, dividends received on unlisted shares, unrealized gains and losses on listed shares, and realized gains and losses on sales of short-term investments and bonds are included in investment income (loss) in the statement of operations and changes in fund balances.

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 amortized using the straight line method based on their estimated useful life at 5% per annum.

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.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2016

4. 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.

5. 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.

6. Group home

	2016		2015 (Restated) (Note 2)	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	102,321	-	102,321	102,321
Building	306,961	113,744	193,217	208,565
	409,282	113,744	295,538	310,886

7. Loan payable

	2016	2015
	\$	\$
Term loan payable		
Royal Bank of Canada, with interest at 3.53%, repayable in blended monthly instalments of \$1,627, due February 2, 2019. Secured by group home.	255,573	265,854
Less: current portion	10,700	10,305
	244,873	255,549

During the year the Foundation paid \$9,246 (2015 - \$9,577) in interest on its loan payable.

Principal payments required in each of the next three years are as follows:

	\$
2017	10,700
2018	11,058
2019	233,815
	255,573

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2016

8. Interfund transfers

During the year, the Foundation transferred \$10,281 (2015 – \$9,950) from the Operating Fund to the Capital Fund relating to loan principal repayments and \$26,640 (2015 - \$14,726) from the Restricted Investment Fund to the Operating Fund relating to the reallocation of investment income.

9. Related party transactions

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

	2016	2015
	\$	\$
Directed donations		
Bursaries	82,215	70,901
Summer camp	-	10,460
Seasonal gifts	38,356	13,362
Bridging the Gap	44,588	20,974
After school	2,843	48,021
Undirected donations	61,634	32,909
	229,636	196,627
Administrative, fundraising and program costs	101,618	94,308
	331,254	290,935

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 \$101,618 (2015 - \$94,308). The agreement can be terminated upon ninety days written notice.

10. 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, 2016, the most significant financial liability is the loan payable.