

Financial statements of

**Children's Aid  
Foundation of Halton**

June 30, 2015

# Children’s Aid Foundation of Halton

June 30, 2015

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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, 2015, 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, 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, 2015, 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  
October 19, 2015

# Children's Aid Foundation of Halton

## Statement of operations and changes in fund balances

### year ended June 30, 2015

	Operating fund	Capital fund	Restricted Investment Fund	2015 Total	2014 Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Donations	183,212	-	-	183,212	161,545
Donations in kind	24,548	-	-	24,548	27,530
Bingo, net	-	-	-	-	4,589
Special events	192,308	-	-	192,308	207,304
Interest and miscellaneous	928	-	-	928	11,408
Investment income	4,841	-	35,483	40,324	6,246
Property income	27,988	-	-	27,988	20,400
Gain on disposal of fixed assets	-	-	-	-	212,635
	<b>433,825</b>	-	<b>35,483</b>	<b>469,308</b>	<b>651,657</b>
<b>Expenditures</b>					
Donations - Halton Children's Aid Society (Note 7)	196,627	-	-	196,627	276,243
Special events	61,923	-	-	61,923	54,072
Receiving homes	27,250	-	-	27,250	22,797
Fundraising	55,902	-	-	55,902	68,475
Administrative and miscellaneous	52,475	-	-	52,475	40,566
Audit and accounting	9,096	-	-	9,096	9,289
	<b>403,273</b>	-	-	<b>403,273</b>	<b>471,442</b>
Excess of revenue over expenditures for the year	30,552	-	35,483	66,035	180,215
Fund balances, beginning of the year	85,549	133,478	740,498	959,525	779,310
Interfund transfers (Note 6)	4,776	9,950	(14,726)	-	-
<b>Fund balances, end of year</b>	<b>120,877</b>	<b>143,428</b>	<b>761,255</b>	<b>1,025,560</b>	<b>959,525</b>

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, 2015

	Operating fund	Capital fund	Restricted Investment Fund	2015 Total	2014 Total
	\$	\$		\$	\$
<b>Assets</b>					
Current assets					
Cash	15,900	-	-	15,900	-
Accounts receivable	17,345	-	-	17,345	30,881
Harmonized sales tax receivable	9,237	-	-	9,237	8,508
Prepaid expenses	-	-	-	-	500
Operating investment (Note 3)	120,315	-	-	120,315	100,748
	<b>162,797</b>	-	-	<b>162,797</b>	<b>140,637</b>
Long-term assets					
Restricted investment (Note 4)	-	-	761,255	761,255	740,498
Group home	-	409,282	-	409,282	409,282
	-	<b>409,282</b>	<b>761,255</b>	<b>1,170,537</b>	<b>1,149,780</b>
	<b>162,797</b>	<b>409,282</b>	<b>761,255</b>	<b>1,333,334</b>	<b>1,290,417</b>
<b>Liabilities</b>					
Current liabilities					
Bank indebtedness	-	-	-	-	4,763
Accounts payable and accrued liabilities	40,220	-	-	40,220	48,625
Deferred revenue	1,700	-	-	1,700	1,700
Current portion of loan payable (Note 5)	-	10,305	-	10,305	9,920
	<b>41,920</b>	<b>10,305</b>	-	<b>52,225</b>	<b>65,008</b>
Long-term debt					
Loan payable (Note 5)	-	255,549	-	255,549	265,884
	<b>41,920</b>	<b>265,854</b>	-	<b>307,774</b>	<b>330,892</b>
<b>Fund balances</b>					
Invested in fixed assets	-	143,428	-	143,428	133,478
Internally restricted	-	-	761,255	761,255	740,498
Unrestricted	120,877	-	-	120,877	85,549
	<b>120,877</b>	<b>143,428</b>	<b>761,255</b>	<b>1,025,560</b>	<b>959,525</b>
	<b>162,797</b>	<b>409,282</b>	<b>761,255</b>	<b>1,333,334</b>	<b>1,290,417</b>

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, 2015

	2015	2014
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenditures	66,035	180,215
Items not affecting cash		
Gain on disposal of fixed assets	-	(212,635)
Investment income	(40,324)	(6,246)
Changes in non-cash operating working capital items		
Accounts receivable	13,536	(25,027)
Harmonized sales tax receivable	(729)	2,646
Prepaid expenses	500	5,560
Accounts payable	(8,405)	8,636
Deferred revenue	-	(6,000)
	<b>30,613</b>	<b>(52,851)</b>
<b>Investing activities</b>		
Purchase of operating investment	-	(100,000)
Purchase of restricted investment	-	(735,000)
Proceeds on disposal of fixed assets	-	360,077
	-	<b>(474,923)</b>
<b>Financing activities</b>		
Repayment of loan payable	(9,950)	(9,209)
Net change in cash	20,663	(536,983)
(Bank indebtedness) cash, beginning of year	(4,763)	532,220
<b>Cash (bank indebtedness), end of year</b>	<b>15,900</b>	<b>(4,763)</b>

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, 2015

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### 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. 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 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.

#### *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.



# Children's Aid Foundation of Halton

## Notes to the financial statements

June 30, 2015

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### 2. Accounting policies (continued)

#### *Financial instruments (continued)*

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. Loan payable

	2015	2014
	\$	\$
Term loan payable		
Royal Bank of Canada, with interest at 3.53% (2014 - 3.53%), repayable in blended monthly instalments of \$1,627, due February 2, 2019. Secured by group home.	265,854	275,804
Less: current portion	10,305	9,920
	<b>276,159</b>	<b>285,724</b>

# Children's Aid Foundation of Halton

## Notes to the financial statements

June 30, 2015

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### 5. Loan payable (continued)

During the year the Foundation paid \$9,577 (2014 - \$10,893) in interest on its loan payable. Principal payments required in each of the next four years are as follows:

	\$
2016	10,305
2017	10,675
2018	11,058
2019	233,816
	<hr/> 265,854 <hr/>

### 6. Interfund transfers

During the year, the Foundation transferred \$9,950 (2014 – \$9,209) from the Operating Fund to the Capital Fund relating to loan principal repayments and \$14,726 (2014 - \$nil) from the Restricted Investment Fund to the Operating Fund relating to the reallocation of investment income.

### 7. Related party transactions

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

	2015	2014
	\$	\$
Donations		
Bursaries	70,901	95,288
Summer camp	10,460	-
Seasonal gifts	13,362	11,355
Bridging the Gap	20,974	5,300
Life skills	-	5,100
After school	48,021	53,044
Other programs	32,909	106,156
	<hr/> 196,627	276,243
Administrative, fundraising and program costs	94,308	86,939
	<hr/> 290,935	363,182 <hr/>

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 \$94,308 (2013 - \$86,939). 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.

# Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2015

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## 8. Financial instruments (continued)

### *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, 2015, the most significant financial liability is the loan payable.