

Financial statements of

**Children's Aid
Foundation of Halton**

June 30, 2017

Children's Aid Foundation of Halton

June 30, 2017

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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, 2017, and the statements of operations and 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 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.

The Children's Aid Foundation of Halton fixed asset policy indicates that, with the exception of group homes, the Foundation expenses all fixed assets when acquired. Canadian accounting standards for not-for-profit organizations require that capital assets be recorded at cost when acquired and amortization be recognized for capital assets with limited useful lives as an expense over the useful life of the capital 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, 2017, 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.

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Chartered Professional Accountants
Licensed Public Accountants
October 18, 2017

Children's Aid Foundation of Halton

Statement of operations and changes in fund balances year ended June 30, 2017

	Operating fund	Capital fund	Restricted Investment Fund	2017 Total	2016 Total
	\$	\$	\$	\$	\$
Revenue					
Donations	230,628			230,628	169,272
Donations in kind	29,766			29,766	39,556
Special events	211,061			211,061	255,781
Interest and miscellaneous	500		-	500	389
Investment income (loss)	9,878		73,517	83,395	(8,615)
Property income	45,451		-	45,451	52,794
	527,284		73,517	600,801	509,177
Expenditures					
Donations - Halton Children's Aid Society (Note 8)	250,604			250,604	229,636
Special events	69,362			69,362	76,630
Receiving homes	36,931			36,931	61,966
Fundraising	66,453			66,453	56,990
Administrative and miscellaneous	87,825			87,825	87,756
Audit and accounting	8,200		-	8,200	8,195
Depreciation	-	15,398		15,398	15,348
	519,375	15,398		534,773	536,521
Excess (deficiency) of revenue over expenditures for the year	7,909	(15,398)	73,517	66,028	(27,344)
Fund balances, beginning of the year	132,214	39,965	727,641	899,820	927,164
Interfund transfers (Note 7)	15,235	10,676	(25,911)		
Fund balances, end of year	155,358	35,243	775,247	965,848	899,820

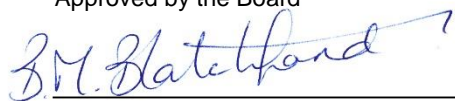
The accompanying notes to the financial statements are an integral part of this financial statement.

Children's Aid Foundation of Halton

Statement of financial position
as at June 30, 2017

	Operating fund	Capital fund	Restricted Investment Fund	2017 Total	2016 Total
	\$	\$		\$	\$
Assets					
Current assets					
Cash	4,768			4,768	11,906
Accounts receivable	42,600			42,600	21,984
Harmonized Sales Tax receivable	6,816			6,816	11,679
Prepaid expenses	7,027			7,027	
Operating investment (Note 3)	104,080			104,080	97,785
	165,291			165,291	143,354
Long-term assets					
Restricted investment (Note 4)		-	775,247	775,247	727,641
Group home (Note 5)		280,140	-	280,140	295,538
		280,140	775,247	1,055,387	1,023,179
	165,291	280,140	775,247	1,220,678	1,166,533
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9,933	-		9,933	11,140
Current portion of loan payable (Note 6)		11,036		11,036	10,700
	9,933	11,036		20,969	21,840
Long-term debt					
Loan payable (Note 6)	-	233,861		233,861	244,873
	9,933	244,897		254,830	266,713
Fund balances					
Invested in fixed assets		35,243		35,243	39,965
Internally restricted		-	775,247	775,247	727,641
Unrestricted	155,358	-		155,358	132,214
	155,358	35,243	775,247	965,848	899,820
	165,291	280,140	775,247	1,220,678	1,166,533

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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenditures	66,028	(27,344)
Items not affecting cash		
Investment (income)/loss	(83,395)	8,615
Depreciation	15,398	15,348
Changes in non-cash operating working capital items		
Accounts receivable	(20,616)	(4,639)
Harmonized Sales Tax receivable	4,863	(2,442)
Prepaid expenses	(7,027)	
Accounts payable and accrued liabilities	(1,207)	(29,080)
Deferred revenue		(1,700)
	(25,956)	(41,242)
Investing activity		
Withdrawal from investment	29,494	47,529
Financing activity		
Repayment of loan payable	(10,676)	(10,281)
Net change in cash	(7,138)	(3,994)
Cash, beginning of year	11,906	15,900
Cash, end of year	4,768	11,906

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, 2017

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 the useful life of the group home, 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

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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 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.

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.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2017

5. Group home

Cost	Accumulated amortization	2017	2016
		Net book value	Net book value
Land	102,321	-	102,321
Building	306,961	129,142	193,217
409,282	129,142	280,140	295,538

6. Loan payable

	2017	2016
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.	244,897	255,573
Less: current portion	11,036	10,700
	233,861	244,873

During the year the Foundation paid \$8,851 (2016 - \$9,246) in interest on its loan payable.

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

2018	11,036
2019	233,861
	244,897

7. Interfund transfers

During the year, the Foundation transferred \$10,676 (2016 - \$10,281) from the Operating Fund to the Capital Fund relating to loan principal repayments and \$25,911 (2016 - \$26,640) from the Restricted Investment Fund to the Operating Fund relating to the reallocation of investment income.

Children's Aid Foundation of Halton

Notes to the financial statements

June 30, 2017

8. Related party transactions

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

	2017	2016
Directed donations		
Bursaries	30,366	82,215
Summer camp	1,500	
Seasonal gifts	13,863	38,356
Bridging the Gap	56,700	44,588
After school	13,295	2,843
Undirected donations	134,880	61,634
	250,604	229,636
Administrative, fundraising and program costs	112,040	101,618
	362,644	331,254

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 \$112,040 (2016- \$101,618). 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, 2017, the most significant financial liability is the loan payable.

