

**KidsAbility Centre for Child
Development Foundation
Financial Statements
For the Year Ended March 31, 2018**

KidsAbility Centre for Child Development Foundation
Financial Statements
For the Year Ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of KidsAbility Centre for Child Development Foundation

We have audited the accompanying financial statements of KidsAbility Centre for Child Development Foundation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, 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 misstatement, 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 about whether the financial statements are free from 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 charitable organizations, the organization derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of KidsAbility Centre for Child Development Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenues, excess of revenues over expenditures, and cash flow from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and fund balances as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of KidsAbility Centre for Child Development Foundation as at March 31, 2018, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
May 28, 2018

**KidsAbility Centre for Child Development Foundation
Statement of Financial Position**

March 31	Operating	Income Stabilization	Internally Restricted	Externally Restricted Endowments	2018 Total	2017 Total
Assets						
Current						
Cash and cash equivalents (Note 2)	\$ 374,366	\$ -	\$ -	\$ -	\$ 374,366	\$ 477,212
Accounts receivable	51,620	-	-	5,516	57,136	61,059
Prepaid expenses	14,916	-	-	-	14,916	3,289
Due from restricted fund (Note 3)	441,323	-	-	-	441,323	393,085
	882,225	-	-	5,516	887,741	934,645
Long-term investments (Note 4)	-	480,397	3,574,031	6,289,068	10,343,496	10,214,539
	\$ 882,225	\$ 480,397	\$ 3,574,031	\$ 6,294,584	\$ 11,231,237	\$ 11,149,184
Liabilities and Fund Balances						
Current						
Accounts payable and accrued liabilities	\$ 8,887	\$ -	\$ -	\$ -	\$ 8,887	\$ 8,915
Due to KidsAbility Centre for Child Development (Note 5)	52,763	-	-	-	52,763	50,257
Deferred contributions (Note 6)	162,276	-	-	-	162,276	282,007
Due to operating fund (Note 3)	-	-	-	441,323	441,323	393,085
	223,926	-	-	441,323	665,249	734,264
Fund Balances						
Unrestricted	658,299	-	-	-	658,299	806,983
Internally restricted	-	480,397	3,574,031	-	4,054,428	4,205,908
Externally restricted	-	-	-	5,853,261	5,853,261	5,402,029
	658,299	480,397	3,574,031	5,853,261	10,565,988	10,414,920
	\$ 882,225	\$ 480,397	\$ 3,574,031	\$ 6,294,584	\$ 11,231,237	\$ 11,149,184

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

KidsAbility Centre for Child Development Foundation Statement of Changes in Fund Balances

For the year ended March 31

2018

2017

	Operating	Income Stabilization	Internally Restricted	Externally Restricted Endowments	Total	Total
Balance, beginning of the year	\$ 806,983	\$ 466,371	\$ 3,739,537	\$ 5,402,029	\$ 10,414,920	\$ 9,821,883
Excess (deficiency) of revenues over expenses	(112,684)	14,026	(201,506)	451,232	151,068	593,037
Interfund transfers (Note 10)	(36,000)	-	36,000	-	-	-
Balance, end of the year	\$ 658,299	\$ 480,397	\$ 3,574,031	\$ 5,853,261	\$ 10,565,988	\$ 10,414,920

The accompanying notes are an integral part of these financial statements.

KidsAbility Centre for Child Development Foundation Statement of Operations

For the year ended March 31

2018 2017

	Operating	Income Stabilization	Internally Restricted	Externally Restricted Endowments	Total	Total
Revenue						
Undesignated donations (Note 7)	\$ 1,529,168	\$ -	\$ -	\$ -	\$ 1,529,168	\$1,476,979
Designated donations	1,170,180	-	-	-	1,170,180	589,105
Externally endowed donations	36,000	-	-	549,427	585,427	281,299
Investment income	448,770	14,026	37,920	52,290	553,006	468,313
Investment income - Community Foundations (Note 8)	36,601	-	-	-	36,601	36,314
	3,220,719	14,026	37,920	601,717	3,874,382	2,852,010
Expenses						
Donation to KidsAbility Centre for Child Development (Note 9)	2,594,200	-	30,163	147,785	2,772,148	1,949,235
Salaries and benefits	573,265	-	-	-	573,265	546,667
Fundraising general	76,349	-	-	-	76,349	54,304
Fundraising events	25,833	-	-	-	25,833	26,445
Office	25,454	-	-	-	25,454	23,209
Scholarships	1,500	-	-	2,700	4,200	4,000
Professional	36,802	-	-	-	36,802	11,655
	3,333,403	-	30,163	150,485	3,514,051	2,615,515
Excess (deficiency) of revenues over expenses before other item	(112,684)	14,026	7,757	451,232	360,331	236,495
Other item						
Change in unrealized gain (loss) on investments (Note 4)	-	-	(209,263)	-	(209,263)	356,542
Excess (deficiency) of revenues over expenses	\$ (112,684)	\$ 14,026	\$ (201,506)	\$ 451,232	\$ 151,068	\$ 593,037

The accompanying notes are an integral part of these financial statements.

KidsAbility Centre for Child Development Foundation Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses	\$ 151,068	\$ 593,037
Item not affecting cash:		
Change in unrealized (gain) loss on investments	<u>209,263</u>	<u>(356,542)</u>
	360,331	236,495
Changes in non-cash working capital:		
Accounts receivable	3,923	(12,051)
Prepaid expenses	(11,627)	1,295
Accounts payable and accrued liabilities	(28)	(449)
Deferred contributions	(119,731)	(125,342)
Increase in amounts due to KidsAbility Centre for Child Development	<u>2,506</u>	<u>3,631</u>
	235,374	103,579
Cash flows from investing activities		
Net (purchase) disposal of investments	<u>(338,220)</u>	<u>(159,212)</u>
Net decrease in cash	(102,846)	(55,633)
Cash and cash equivalents, beginning of the year	<u>477,212</u>	<u>532,845</u>
Cash and cash equivalents, end of the year	<u>\$ 374,366</u>	<u>\$ 477,212</u>

The accompanying notes are an integral part of these financial statements.

KidsAbility Centre for Child Development Foundation

Notes to Financial Statements

March 31, 2018

1 . Summary of Significant Accounting Policies

Nature and Purpose of Organization	<p>The primary purpose of KidsAbility Centre for Child Development Foundation ("the Foundation") is to raise, maintain and administer the funds of the Foundation in order to support children and young adults with physical, developmental and communication disabilities in the Waterloo Region and Wellington County through, among others, supporting the work of KidsAbility Centre for Child Development. Some bequests made to KidsAbility Centre for Child Development are transferred to the Foundation and, at the discretion of the board of directors, are either internally restricted or specifically designated.</p> <p>The Foundation is a registered charity under the Income Tax Act and is therefore exempt from income taxes.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).</p>
Fund Accounting	<p>The Foundation follows the restricted fund method of accounting for contributions.</p> <p>The Operating Fund reflects the activities related to donations received, payments made, and operating expenses incurred for the betterment of the KidsAbility Centre for Child Development.</p> <p>The Internally Restricted Fund, Income Stabilization Fund and Externally Restricted Endowment Fund represents a pool of restricted assets used to generate investment income, which in turn is used to support donations made to KidsAbility Centre for Child Development. Unrealized gains and losses are recognized in the Internally Restricted Fund. Realized gains and losses are allocated to the appropriate fund when earned.</p>
Revenue Recognition	<p>Restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as revenue of the Operating Fund. Other restricted contributions are recognized in the Operating Fund as deferred contributions until the restrictions have been satisfied.</p> <p>Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p>

KidsAbility Centre for Child Development Foundation

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Financial Instruments	Financial Instruments are recorded at fair value at initial recognition. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.
Contributed Materials and Services	<p>In-kind donations of supplies and services used in the normal course of operations are recorded as revenue and expense at fair value, when documentation to support the value is available.</p> <p>Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Cash and Cash Equivalents	Cash and cash equivalents include cash and cashable guaranteed investment certificates.
Harmonized Sales Tax	The Foundation received the public service bodies' rebate of 50% of the federal portion of the HST paid and 82% of the provincial portion of the HST paid in Ontario.
Foreign Currency Translation	Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on translation of monetary assets and liabilities are included in investment income.

KidsAbility Centre for Child Development Foundation Notes to Financial Statements

March 31, 2018

2. Cash and Cash Equivalents

The Foundation's bank accounts are held at one chartered bank. The bank account earns interest at a nominal rate.

The Foundation cash and cash equivalents includes the following:

	2018	2017
Scotiabank GIC, 1% due August 2018	\$ 72,198	\$ -
GICs matured during the year	-	418,213
Cash in bank	302,168	58,999
	\$ 374,366	\$ 477,212

3. Interfund balances

Interfund balances are interest-free with no fixed terms of repayment.

4. Investments

The fair value of investments are comprised of the following:

	2018	2017
Equities	\$ 5,132,613	\$ 5,271,820
Fixed income and bonds	4,182,531	4,238,527
Mutual funds	566,198	301,707
Cash	467,672	409,242
	10,349,014	10,221,296
Less: Investment income receivable	(5,518)	(6,757)
	\$ 10,343,496	\$ 10,214,539

Investments held in fixed income and bonds earn interest ranging from 1.25% to 4.93% per annum, with maturity dates between June 2018 and August 2027. Investment income is shown net of investment related fees of \$65,015 (2017 - \$67,101).

As at March 31, 2018, investments included a cumulative unrealized gain of \$941,200 (2017 - \$1,147,600).

KidsAbility Centre for Child Development Foundation Notes to Financial Statements

March 31, 2018

5. Due to KidsAbility Centre for Child Development

The amounts due to KidsAbility are due on demand and are unsecured. The amount relates to repayment of shared expenses.

6. Deferred Contributions

	2018	2017
Balance, beginning of year	\$ 282,007	\$ 407,349
Contributions	162,276	87,016
Amounts amortized into revenue	(282,007)	(212,358)
	\$ 162,276	\$ 282,007

7. Rotary Clubs

Included in donation revenue are donations from the following:

	2018	2017
Rotary Waterloo	\$ 36,740	\$ 77,100
Rotary Clubs of Cambridge Superhero Run	35,234	57,184
Kitchener Rotary Club Charitable Foundation	40,000	45,000
Rotary Club of Kitchener-Grand River Charitable Foundation	40,000	40,000
Rotary Club of Kitchener-Westmount	30,000	30,000
Rotary Club of Fergus-Elora Foundation	5,800	10,799
Rotary Club of Guelph	10,000	5,000
Rotary Club of Guelph Wellington	5,815	5,000
Rotary Club of Kitchener-Conestoga	4,563	4,000
Rotary Club of Guelph Trillium	-	1,500
Rotary Club of Cambridge (Preston-Hespeler)	8,000	725
Rotary Club from Scotland Curling Tour	-	380
Rotary Club of Centre Wellington Centennial	200	-
	\$ 216,352	\$ 276,688

KidsAbility Centre for Child Development Foundation Notes to Financial Statements

March 31, 2018

8. Community Foundations

Certain endowment funds owned by Community Foundations and held in perpetuity for the benefit of KidsAbility Centre for Child Development Foundation are excluded from these financial statements. Available investment income from these funds is received periodically when granted by the Community Foundations.

The market values of these funds are as follows:

	2018	2017
Kitchener Waterloo Community Foundation	\$ 875,242	\$ 873,807
Cambridge and North Dumfries Community Foundation	62,774	60,828
Guelph Community Foundation	27,759	27,546
	\$ 965,775	\$ 962,181

Investment income received during the year are as follows:

	2018	2017
Kitchener Waterloo Community Foundation	\$ 32,400	\$ 32,100
Cambridge and North Dumfries Community Foundation	3,250	3,250
Guelph Community Foundation	951	964
	\$ 36,601	\$ 36,314

9. Donations to KidsAbility Centre

A portion of the donation made to the Centre has been designated to be paid to the KidsAbility School Authority as follows:

	2018	2017
Designated donation to KidsAbility School Authority	\$ 16,706	\$ 35,544
Donation available for KidsAbility Centre	2,755,442	1,913,691
	\$ 2,772,148	\$ 1,949,235

KidsAbility Centre for Child Development Foundation Notes to Financial Statements

March 31, 2018

10. Interfund Transfers

The Board of Directors approved the transfer of funds between the operating, internally and externally restricted funds as follows:

	Operating Fund	Income Stabilization Fund	Internally Restricted Fund	Externally Restricted Fund
Transfer of bequests to internally restricted fund	\$ (36,000)	\$ -	\$ 36,000	\$ -

KidsAbility Centre for Child Development Foundation

Notes to Financial Statements

March 31, 2018

11. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and long-term investments and the related interest receivable. The Foundation has deposited the cash and investments with reputable financial institutions, from which management believes the risk of loss to be remote.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has a diversified investment portfolio which includes foreign equities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk. A portion of the Foundation's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to this risk through its equity holdings within its investment portfolio.