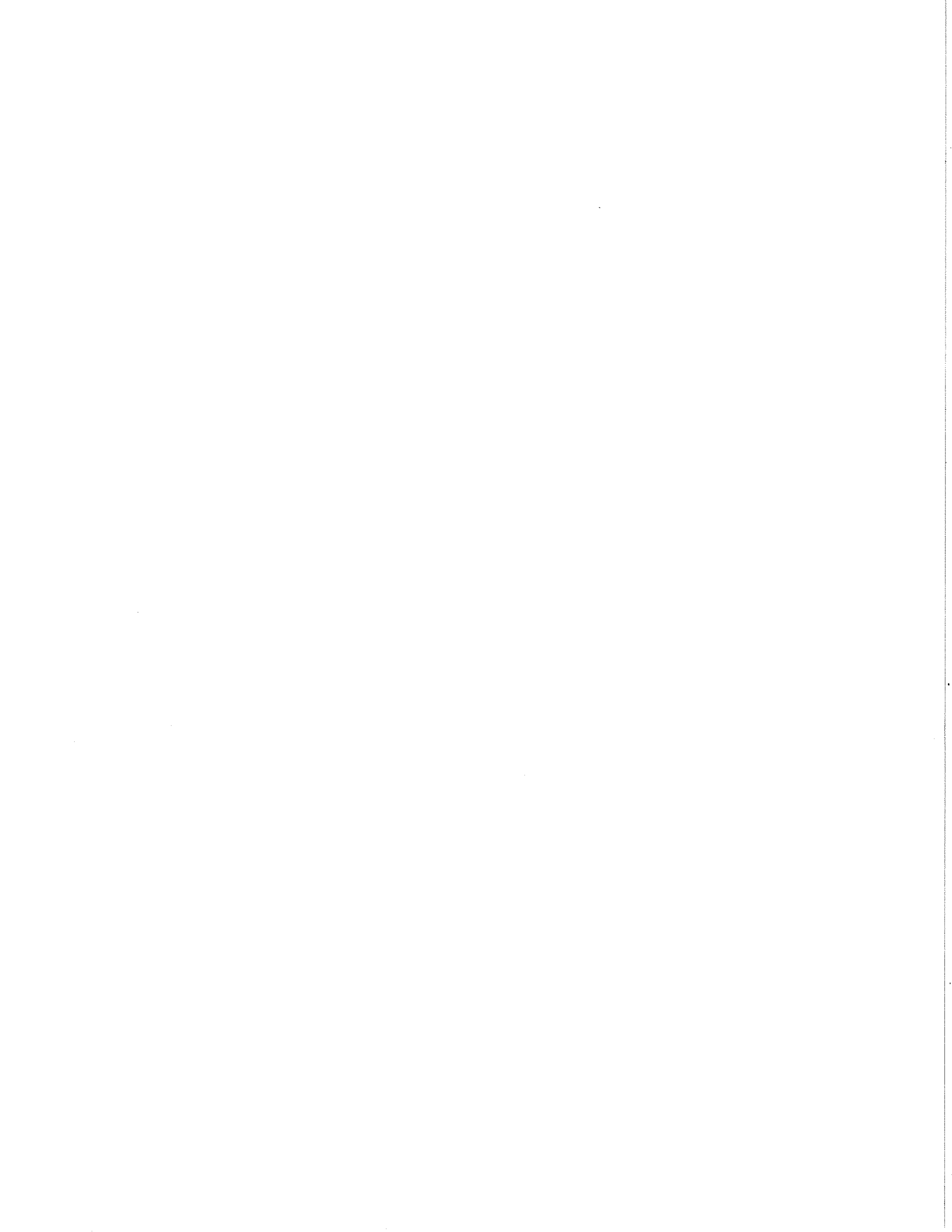


Financial Statements of

**KITCHENER-WATERLOO COUNSELLING SERVICES
INCORPORATED**

For the year ended December 31, 2010



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS AND MEMBERS OF
KITCHENER-WATERLOO COUNSELLING SERVICES INCORPORATED

We have audited the accompanying financial statements of Kitchener-Waterloo Counselling Services Incorporated, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets 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 generally accepted accounting principles, 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

Independent Auditor's Report to the Directors and Members of Kitchener-Waterloo Counselling Services Incorporated (*Continued*)

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives part of its revenue from fees for services, and donations and memberships the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, current assets and net assets.

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 Kitchener-Waterloo Counselling Services Incorporated as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kitchener, Ontario
March 24, 2011

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF FINANCIAL POSITION

As at December 31, 2010


	ASSETS				
	Operating Fund	Capital Reserve Fund	Emergency Reserve Fund	Total 2010	Total 2009
CURRENT					
Cash	\$ 498,145	\$ 66,667	\$ 33,333	\$ 598,145	\$ 897,470
Accounts receivable (Note 2)	240,048	361	181	240,590	344,058
Prepaid expenses	20,996	—	—	20,996	9,943
	<u>759,189</u>	<u>67,028</u>	<u>33,514</u>	<u>859,731</u>	<u>1,251,471</u>
LONG TERM					
Pledges Receivable (Note 2)	—	—	—	—	20,000
Investments (Note 3)	—	333,333	166,667	500,000	—
	<u>3,201,489</u>	<u>—</u>	<u>—</u>	<u>3,201,489</u>	<u>3,285,603</u>
LAND, BUILDING AND EQUIPMENT (Note 4)	<u>3,201,489</u>	<u>—</u>	<u>—</u>	<u>3,201,489</u>	<u>3,285,603</u>
	<u>\$3,960,678</u>	<u>\$ 400,361</u>	<u>\$ 200,181</u>	<u>\$4,561,220</u>	<u>\$4,557,074</u>

LIABILITIES AND NET ASSETS

CURRENT					
Accounts payable and accrued liabilities	\$ 168,984	\$ —	\$ —	\$ 168,984	\$ 170,508
Deferred revenue (Note 5)	352,626	—	—	352,626	136,045
	<u>521,610</u>	<u>—</u>	<u>—</u>	<u>521,610</u>	<u>306,553</u>
DEFERRED CONTRIBUTIONS (Note 6)	<u>2,874,997</u>	<u>—</u>	<u>—</u>	<u>2,874,997</u>	<u>3,017,242</u>
	<u>3,396,607</u>	<u>—</u>	<u>—</u>	<u>3,396,607</u>	<u>3,323,795</u>
NET ASSETS					
Investment in tangible capital assets (Note 4)	326,492	—	—	326,492	268,361
Surplus to maintain stability and community programs	237,579	400,361	200,181	838,121	964,918
	<u>564,071</u>	<u>400,361</u>	<u>200,181</u>	<u>1,164,613</u>	<u>1,233,279</u>
	<u>\$3,960,678</u>	<u>\$ 400,361</u>	<u>\$ 200,181</u>	<u>\$4,561,220</u>	<u>\$4,557,074</u>

See accompanying notes to the financial statements

Approved by the board:

Director 

Director 

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Emergency Reserve Fund</u>	<u>Total 2010</u>	<u>Total 2009</u>
NET ASSETS					
Net assets, beginning of year	\$1,233,279	\$ —	\$ —	\$1,233,279	\$1,114,786
Excess (deficiency) of revenue over expenses	(69,208)			(69,208)	118,493
Earned Interest	—	361	181	542	—
Transfer to Reserves (Note 1)	(600,000)	400,000	200,000	—	—
Net assets, end of year	<u>\$ 564,071</u>	<u>\$ 400,361</u>	<u>\$ 200,181</u>	<u>\$1,164,613</u>	<u>\$1,233,279</u>

See accompanying notes to the financial statements

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
United Way	\$ 434,000	\$ 534,697
Government contract services:		
Ministries of Community and Social Services and Children and Youth	441,470	428,165
Regional Municipality of Waterloo	359,580	348,162
Ministry of Community Safety and Correctional Services	48,243	96,485
Ontario Trillium Foundation	—	47,084
Ontario Women's Directorate	—	100,383
Federal Status of Women	62,101	56,899
Fees for services:		
Client user fees	193,091	184,275
Heath Connect partnership	325,690	325,698
Employee assistance contracts	232,272	225,625
Other services	182,083	242,921
Donations and memberships	114,604	235,052
60 th Anniversary Special Events	122,275	—
Student fees	4,536	23,141
Interest	10,700	1,970
Amortization of deferred contributions related to capital assets	149,994	151,507
	<u>2,680,639</u>	<u>3,002,064</u>
EXPENSES		
Salaries, wages and benefits	2,115,882	2,136,642
Occupancy costs	158,535	137,378
Travel expense, conference and dues	31,666	34,272
Parenting with Passion Television Project	—	165,289
60 th Anniversary Special Events	81,752	—
Program, office and other administrative costs	186,496	251,642
Amortization of capital assets	175,516	158,348
	<u>2,749,847</u>	<u>2,883,571</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (69,208)</u>	<u>\$ 118,493</u>

See accompanying notes to the financial statements.

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

	Operating Fund	Capital Reserve Fund	Emergency Reserve Fund	Total 2010	Total 2009
OPERATING ACTIVITIES					
Operations					
Excess (deficiency) of revenue over expenses	\$ (69,208)	\$ 361	\$ 181	\$ (68,666)	\$ 118,493
Items not involving cash					
Amortization of capital assets	175,516	—	—	175,516	158,348
Amortization of deferred contributions	(149,994)	—	—	(149,994)	(151,507)
Establishment of Reserve Funds	(600,000)	400,000	200,000	—	—
	(643,686)	400,361	200,181	(43,144)	125,334
Changes in non-cash working capital					
Accounts receivable and pledges receivable	124,010	(361)	(181)	123,468	(46,476)
Prepaid expenses	(11,053)	—	—	(11,053)	32,717
Accounts payable and accrued liabilities	(1,524)	—	—	(1,524)	(60,339)
Deferred revenue	216,581	—	—	216,581	(11,883)
	(315,672)	400,000	200,000	284,328	39,353
FINANCING ACTIVITIES					
Deferred contributions related to building and equipment	7,749	—	—	7,749	9,151
	7,749	—	—	7,749	9,151
INVESTING ACTIVITIES					
Purchase of furnishings and equipment	(91,402)	—	—	(91,402)	(22,072)
Purchase of investments	—	(333,333)	(166,667)	(500,000)	—
	(91,402)	(333,333)	(166,667)	(591,402)	(22,072)
INCREASE (DECREASE) IN CASH	(399,325)	66,667	33,333	(299,325)	26,432
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	897,470	—	—	897,470	871,038
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 498,145	\$ 66,667	\$ 33,333	\$ 598,145	\$ 897,470

See accompanying notes to the financial statements.

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

The organization is a registered charitable organization incorporated without share capital under the laws of the Province of Ontario. The organization, as a registered charity, is exempt from income taxes under Section 149(1) (f) of the Income Tax Act. The organization provides therapeutic counselling, family and life education, case management, community outreach prevention programs to families and individuals and educational and training programs for professional counsellors.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Fund Accounting

The Board of Directors, at its December 14, 2010 meeting, established a Capital Reserve Fund and an Emergency Reserve Fund in the amounts of \$400,000 and \$200,000 respectively. In order to appropriately present the funds, and changes in the fund balances, the organization has adopted fund accounting as of December 14, 2010.

The Operating Fund reports revenues and expenses related to program delivery and administrative activities. Capital assets owned by the organization, and the related amortization, will be included in the Operating Fund.

The Capital Reserve Fund has been established to ensure adequate resources are available to maintain the organization's capital assets over the life of the assets. Funding of major repair and replacement of capital assets will come from the Capital Reserve Fund.

The Emergency Reserve Fund has been established to ensure adequate resources are available to maintain the organization's financial stability and community program continuity on a long term basis.

The adoption of fund accounting has had no effect on total assets, total liabilities, net assets or total amounts reported on the statement of operations, statement of changes in net assets and statement of cash flows. The organization's policy with respect to recognition of restricted and unrestricted contributions as described in note 1(b) remains unchanged.

(b) Revenue recognition

The organization follows the deferral method of accounting for contributions.

Accordingly, externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of building and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired building and equipment. Restricted contributions allocated to land are recognized as a direct increase to net assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred contributions related to building and equipment represent the unamortized and unspent amount of donations or grants received for the purchase of building and equipment.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition (continued)

Revenue from services is recognized on the accrual basis. Donations and memberships, which are voluntarily made, are recognized when the organization has reasonable assurance that they will be received.

(c) Deferred revenue

Funding and program fees received before December 31 that relate to services and programs for the time periods after December 31, are deferred to future periods and presented as deferred revenue on the statement of financial position.

(d) Donated materials and services

The organization does not record the value of donated materials and services in the financial statements.

(e) Financial instruments classifications

The organization has adopted the following classifications for its financial assets and financial liabilities:

Cash and cash equivalents and investments are classified as held-for-trading. These instruments are measured at fair value and changes in fair value during the year are recorded in interest income in the statement of operations. Transaction costs are expensed as incurred.

Accounts receivable and long term pledges receivable are classified as receivables. These assets are initially recorded at fair value and subsequently measured at amortized costs less any provision for impairment.

Accounts payable and accrued liabilities are classified as other financial liabilities. These liabilities are initially recorded at fair value and subsequently measured at amortized costs.

(f) Cash and cash equivalents

The organization considers cash deposited in financial institutions and term deposits with maturities of less than 90 days to be cash and cash equivalents.

(g) Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the organization's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of building and equipment
- the estimated useful lives of assets
- the allowance for doubtful accounts

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (h) Land, building and equipment
Land, building and equipment are recorded at cost in the Operating Fund. Building and equipment are amortized over the following estimated useful lives using the following method and annual rates:

<u>Asset</u>	<u>Basis</u>	<u>Rate</u>
Building	Straight-line	40 years
Shorter life property components	Straight-line	15 years
Furniture and fixtures	Straight-line	8 years
Electronic equipment and software	Straight-line	4 years

2. ACCOUNTS RECEIVABLE AND LONG TERM PLEDGES RECEIVABLE

Included in fees for service revenue during 2009 was a \$60,000 pledge toward support of a project. The balance of the pledge receivable at year end is \$20,000 (2009 - \$40,000) and is expected to be received in fiscal 2011.

3. INVESTMENTS

Investments are held in guaranteed investment certificates (GICs) having stepped maturities from less than one year to five years with rates of return between 1.17% and 3.25%. All are secured by CIDC coverage. Interest is accrued as earned and reflected in the statement of changes in net assets.

4. LAND, BUILDING AND EQUIPMENT

	<u>Cost</u>	<u>2010 Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2009 Net Book Value</u>
Land	\$ 250,000	\$ —	\$ 250,000	\$ 250,000
Building	2,911,744	436,540	2,475,204	2,547,075
Shorter life property components	539,696	204,261	335,435	371,450
Furniture and fixtures	150,013	97,085	52,928	71,034
Electronic equipment and software	<u>443,389</u>	<u>355,467</u>	<u>87,922</u>	<u>46,044</u>
	<u>\$ 4,294,842</u>	<u>\$ 1,093,353</u>	<u>\$ 3,201,489</u>	<u>\$ 3,285,603</u>

The organization's net investment in tangible capital assets is as follows:

	<u>2010</u>	<u>2009</u>
Net book value of land, building and equipment	\$ 3,201,489	\$ 3,285,603
Less: Deferred Contributions related to building and equipment net of unspent contributions	<u>(2,874,997)</u>	<u>(3,017,242)</u>
	<u>\$ 326,492</u>	<u>\$ 268,361</u>

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2010

5. DEFERRED REVENUE

Deferred revenue represents revenue and contributions collected for services and programs occurring in a future period. The changes in deferred revenue during the year are as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 136,045	\$ 147,928
Add: Revenue and contributions received relating to a future period	352,626	136,045
Less: Revenues and contributions recognized as revenue	<u>(136,045)</u>	<u>(147,928)</u>
Balance, end of year	<u>\$ 352,626</u>	<u>\$ 136,045</u>

6. DEFERRED CONTRIBUTIONS RELATED TO BUILDING AND EQUIPMENT

Deferred contributions represent the unamortized contributions used to purchase building and equipment. The changes for the year are as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	<u>\$ 3,017,242</u>	<u>\$ 3,159,598</u>
Add: contributions received less commitments not honoured	7,749	9,151
Less: contributions recognized as revenue	<u>(149,994)</u>	<u>(151,507)</u>
	<u>(142,245)</u>	<u>(142,356)</u>
Balance, end of year	<u>\$ 2,874,997</u>	<u>\$ 3,017,242</u>

7. SERVICE CONTRACTS WITH THE ONTARIO MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND THE MINISTRY OF CHILDREN AND YOUTH SERVICES

Kitchener-Waterloo Counselling Services Incorporated has service contracts with the Ontario Ministry of Community and Social Services and the Ministry of Children and Youth Services, which have a fiscal year end of March 31. Annually, the organization submits to the Ministries a reconciliation report, which summarizes by service, all revenue and expenditures and identifies any resulting surplus or deficit that relates to the service contracts.

A review of this report for the year ended March 31, 2010 showed no surplus or deficit for that period.

It is anticipated that no services will be in a material surplus position as at March 31, 2011.

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2010

8. CAPITAL DISCLOSURE

The organization's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its community.

The organization monitors and assesses its financial performance to ensure its capital structure is appropriately maintained. The capital structure is defined as the amount included in net assets of the Operating Fund, Capital Reserve Fund and the Emergency Reserve Fund.

The Board of Directors and management carefully consider funding from United Way, government contract services, fees for services, employee assistance program contracts, donations, memberships and other receipts to ensure that sufficient funds will be available to meet the organization's short and long term objectives. The adequacy of the Capital Reserve Fund is assessed on an annual basis by monitoring the expected future major repairs and replacement cost for the organization's capital assets.

9. COMMITMENT

A letter of credit in the amount of \$10,000 (2009 - \$10,000), issued to the City of Kitchener in conjunction with the facility construction, remains outstanding.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Interest rate risk is the risk that the fair value of a financial instrument might be adversely affected by a change in the interest rate. The organization is exposed to interest risk primarily through its investments as described in Note 3.

The organization's carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments. Guaranteed investment certificates are valued at cost plus accrued interest which approximates the fair market value of these investments.