

Financial Statements of

**KITCHENER-WATERLOO COUNSELLING SERVICES  
INCORPORATED**

For the year ended December 31, 2011

## 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, 2011, 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, 2011, 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 22, 2012

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

# Kitchener-Waterloo Counselling Services Incorporated

## STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

### ASSETS


	Operating Fund	Capital Reserve Fund	Emergency Reserve Fund	Total 2011	Total 2010
<b>CURRENT</b>					
Cash	\$ 556,445	\$ 66,667	\$ 33,333	\$ 656,445	\$ 598,145
Accounts receivable (Note 3)	72,716	8,312	5,598	86,626	240,590
Prepaid expenses	17,452	—	—	17,452	20,996
	<u>646,613</u>	<u>74,979</u>	<u>38,931</u>	<u>760,523</u>	<u>859,731</u>
<b>LONG TERM</b>					
Investments (Note 4)	—	334,035	167,018	501,053	500,000
<b>LAND, BUILDING AND EQUIPMENT (Note 5)</b>					
	<u>3,090,163</u>	<u>—</u>	<u>—</u>	<u>3,090,163</u>	<u>3,201,489</u>
	<u>\$3,736,776</u>	<u>\$ 409,014</u>	<u>\$ 205,949</u>	<u>\$4,351,739</u>	<u>\$4,561,220</u>


### LIABILITIES AND NET ASSETS

<b>CURRENT</b>					
Accounts payable and accrued liabilities	\$ 197,400	\$ —	\$ —	\$ 197,400	\$ 168,984
Deferred revenue (Note 6)	265,205	—	—	265,205	352,626
	<u>462,605</u>	<u>—</u>	<u>—</u>	<u>462,605</u>	<u>521,610</u>
<b>DEFERRED CONTRIBUTIONS (Note 7)</b>					
	<u>2,778,434</u>	<u>—</u>	<u>—</u>	<u>2,778,434</u>	<u>2,874,997</u>
	<u>3,241,039</u>	<u>—</u>	<u>—</u>	<u>3,241,039</u>	<u>3,396,607</u>
<b>NET ASSETS</b>					
Investment in tangible capital assets (Note 5)	311,729	—	—	311,729	326,492
Surplus to maintain stability and community programs	184,008	409,014	205,949	798,971	838,121
	<u>495,737</u>	<u>409,014</u>	<u>205,949</u>	<u>1,110,700</u>	<u>1,164,613</u>
	<u>\$3,736,776</u>	<u>\$ 409,014</u>	<u>\$ 205,949</u>	<u>\$4,351,739</u>	<u>\$4,561,220</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, 2011

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>Emergency Reserve Fund</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>NET ASSETS</b>					
Net assets, beginning of year	\$ 564,071	\$ 400,361	\$ 200,181	\$1,164,613	\$1,233,279
Excess (deficiency) of revenue over expenses	<u>(68,334)</u>	<u>8,653</u>	<u>5,768</u>	<u>(53,913)</u>	<u>(68,666)</u>
Net assets, end of year	<u>\$ 495,737</u>	<u>\$ 409,014</u>	<u>\$ 205,949</u>	<u>\$1,110,700</u>	<u>\$1,164,613</u>

See accompanying notes to the financial statements

# Kitchener-Waterloo Counselling Services Incorporated

## STATEMENT OF OPERATIONS

For the Year Ended December 31, 2011

	Operating Fund	Capital Reserve Fund	Emergency Reserve Fund	Total 2011	Total 2010
<b>REVENUE</b>					
United Way	\$ 434,000	\$ —	\$ —	\$ 434,000	\$ 434,000
Government contract services:					
Ministries of Community and Social Services and Children and Youth	448,242	—	—	448,242	441,470
Regional Municipality of Waterloo	366,307	—	—	366,307	359,580
Ministry of Community Safety and Correctional Services	—	—	—	—	48,243
Federal Status of Women	—	—	—	—	62,101
Fees for services:					
Client user fees	168,969	—	—	168,969	193,091
Health-Connect Counselling Partners	325,790	—	—	325,790	325,690
Employee assistance contracts	215,552	—	—	215,552	232,272
Other services	168,322	—	—	168,322	186,619
Fundraising					
Program designated	215,875	—	—	215,875	8,209
General donations & memberships	105,409	—	—	105,409	106,395
Special events - 60 <sup>th</sup> Anniversary	100,176	—	—	100,176	122,275
Interest	3,468	8,653	5,768	17,889	11,242
Amortization of deferred contributions related to building and equipment	152,463	—	—	152,463	149,994
	<u>2,704,573</u>	<u>8,653</u>	<u>5,768</u>	<u>2,718,994</u>	<u>2,681,181</u>
<b>EXPENSES</b>					
Salaries, wages and benefits	2,087,050	—	—	2,087,050	2,115,882
Occupancy costs	154,066	—	—	154,066	158,535
Travel expense, conference and dues	29,326	—	—	29,326	31,666
60 <sup>th</sup> Anniversary & Special Events	72,774	—	—	72,774	81,752
Program, office and other administrative costs	248,630	—	—	248,630	186,496
Amortization of capital assets	181,061	—	—	181,061	175,516
	<u>2,772,907</u>	<u>—</u>	<u>—</u>	<u>2,772,907</u>	<u>2,749,847</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (68,334)</u>	<u>\$ 8,653</u>	<u>\$ 5,768</u>	<u>\$ (53,913)</u>	<u>\$ (68,666)</u>

See accompanying notes to the financial statements.

# Kitchener-Waterloo Counselling Services Incorporated

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

	Operating Fund	Capital Reserve Fund	Emergency Reserve Fund	Total 2011	Total 2010
<b>OPERATING ACTIVITIES</b>					
Operations					
Excess (deficiency) of revenue over expenses	\$ (68,334)	\$ 8,653	\$ 5,768	\$ (53,913)	\$ (68,666)
Items not involving cash					
Amortization of capital assets	181,061	–	–	181,061	175,516
Amortization of deferred contributions	(152,463)	–	–	(152,463)	(149,994)
	(39,736)	8,653	5,768	(25,315)	(43,144)
Changes in non-cash working capital					
Accounts receivable	167,332	(7,951)	(5,417)	153,964	123,468
Prepaid expenses	3,544	–	–	3,544	(11,053)
Accounts payable and accrued liabilities	28,416	–	–	28,416	(1,524)
Deferred revenue	(87,421)	–	–	(87,421)	216,581
	72,135	702	351	73,188	284,328
<b>FINANCING ACTIVITIES</b>					
Deferred contributions related to building and equipment	55,900	–	–	55,900	7,749
	55,900	–	–	55,900	7,749
<b>INVESTING ACTIVITIES</b>					
Purchase of furnishings and equipment	(69,735)	–	–	(69,735)	(91,402)
Purchase of investments	–	(702)	(351)	(1,053)	(500,000)
	(69,735)	(702)	(351)	(70,788)	(591,402)
<b>INCREASE (DECREASE) IN CASH</b>					
	58,300	–	–	58,300	(299,325)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>					
	498,145	66,667	33,333	598,145	897,470
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>					
	\$ 556,445	\$ 66,667	\$ 33,333	\$ 656,445	\$ 598,145

See accompanying notes to the financial statements.

# Kitchener-Waterloo Counselling Services Incorporated

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 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.

(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, 2011

### 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, 2011

### 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. FUTURE CHANGE IN ACCOUNTING POLICIES

The Accounting Standards Board is implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations which will be effective January 1, 2012. The organization will be assessing the impact of the new standards on its financial statements over the next year.

### 3. 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, to be paid in three annual installments. The final installment was received in fiscal 2011. The balance of the pledge receivable at year end is nil (2010 - \$20,000).

### 4. 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 3.45%. All are secured by CDIC coverage. Interest is accrued as earned and reflected in the statement of changes in net assets.

# Kitchener-Waterloo Counselling Services Incorporated

## NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2011

### 5. LAND, BUILDING AND EQUIPMENT

	2011		Net Book	2010
	Cost	Accumulated Amortization	Value	Net Book Value
Land	\$ 250,000	\$ —	\$ 250,000	\$ 250,000
Building	2,911,744	509,334	2,402,410	2,475,204
Shorter life property components	544,707	240,610	304,097	335,435
Furniture and fixtures	153,053	115,572	37,481	52,928
Electronic equipment and software	505,073	408,898	96,175	87,922
	<u>\$ 4,364,577</u>	<u>\$ 1,274,414</u>	<u>\$ 3,090,163</u>	<u>\$ 3,201,489</u>

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

	2011	2010
Net book value of land, building and equipment	\$ 3,090,163	\$ 3,201,489
Less: Deferred Contributions related to building and equipment net of unspent contributions	<u>(2,778,434)</u>	<u>(2,874,997)</u>
	<u>\$ 311,729</u>	<u>\$ 326,492</u>

### 6. 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:

	2011	2010
Balance, beginning of year	\$ 352,626	\$ 136,045
Add: Revenue and contributions received relating to a future period	196,779	352,626
Less: Revenues and contributions recognized as revenue	<u>(284,200)</u>	<u>(136,045)</u>
Balance, end of year	<u>\$ 265,205</u>	<u>\$ 352,626</u>

# Kitchener-Waterloo Counselling Services Incorporated

## NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2011

### 7. 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>2011</u>	<u>2010</u>
Balance, beginning of year	\$ <u>2,874,997</u>	\$ <u>3,017,242</u>
Add: contributions received less commitments not honoured	55,900	7,749
Less: contributions recognized as revenue	<u>(152,463)</u>	<u>(149,994)</u>
	<u>(96,563)</u>	<u>(142,245)</u>
Balance, end of year	\$ <u>2,778,434</u>	\$ <u>2,874,997</u>

### 8. 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, 2011 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, 2012.

### 9. 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.

# **Kitchener-Waterloo Counselling Services Incorporated**

## **NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended December 31, 2011

### **10. COMMITMENT**

A letter of credit in the amount of \$10,000 (2010 - \$10,000), issued to the City of Kitchener in conjunction with the facility construction, remains outstanding.

### **11. 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 4.

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.