

Financial Statements of

**KITCHENER-WATERLOO COUNSELLING SERVICES
INCORPORATED**

For the year ended December 31, 2012

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, 2012, December 31, 2011 and January 1, 2011 the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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.

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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



Waterloo, Ontario
March 28, 2013

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

ASSETS

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2012	Total 2011
CURRENT					
Cash	\$ 333,343	\$ -	\$ -	\$ 333,343	\$ 656,445
Accounts receivable (Note 3)	92,973	14,977	8,969	116,919	86,626
Prepaid expenses	11,939	-	-	11,939	17,452
	<u>438,255</u>	<u>14,977</u>	<u>8,969</u>	<u>462,201</u>	<u>760,523</u>
LONG TERM					
Investments (Note 4)	100,000	404,934	202,467	707,401	501,053
LAND, BUILDING AND EQUIPMENT (Note 5)					
	<u>-</u>	<u>2,932,896</u>	<u>-</u>	<u>2,932,896</u>	<u>3,090,163</u>
	<u>\$ 538,255</u>	<u>\$ 3,352,807</u>	<u>\$ 211,436</u>	<u>\$ 4,102,498</u>	<u>\$ 4,351,739</u>

LIABILITIES AND NET ASSETS

CURRENT					
Accounts payable and accrued liabilities (Note 6)	\$ 219,573	\$ -	\$ -	\$ 219,573	\$ 197,400
Deferred revenue (Note 7)	118,931	-	-	118,931	265,205
	<u>338,504</u>	<u>-</u>	<u>-</u>	<u>338,504</u>	<u>462,605</u>
DEFERRED CONTRIBUTIONS (Note 8)					
	<u>-</u>	<u>2,637,937</u>	<u>-</u>	<u>2,637,937</u>	<u>2,778,434</u>
	338,504	2,637,937	-	2,976,441	3,241,039
NET ASSETS					
Investment in tangible capital assets (Note 5)	-	294,959	-	294,959	311,729
Surplus to maintain stability and community programs	199,751	419,911	211,436	831,098	798,971
	<u>199,751</u>	<u>714,870</u>	<u>211,436</u>	<u>1,126,057</u>	<u>1,110,700</u>
	<u>\$ 538,255</u>	<u>\$ 3,352,807</u>	<u>\$ 211,436</u>	<u>\$ 4,102,498</u>	<u>\$ 4,351,739</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, 2012

	Operating <u>Fund</u>	Capital <u>Fund</u>	Emergency Reserve <u>Fund</u>	Total <u>2012</u>	Total <u>2011</u>
NET ASSETS					
Net assets, beginning of year	\$ 495,737	\$ 409,014	\$ 205,949	\$ 1,110,700	\$ 1,164,613
Excess (deficiency) of revenue over expenses	30,966	(21,096)	5,487	15,357	(53,913)
Transfer of opening net capital assets (Note 2a)	(3,090,163)	3,090,163	-	-	-
Transfer of opening deferred contributions related to capital assets (Note 2a)	2,778,434	(2,778,434)	-	-	-
Transfer of assets purchased during the year	(17,323)	17,323	-	-	-
Transfer of deferred contributions collected during the year	<u>2,100</u>	<u>(2,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 199,751</u>	<u>\$ 714,870</u>	<u>\$ 211,436</u>	<u>\$ 1,126,057</u>	<u>\$ 1,110,700</u>

See accompanying notes to the financial statements

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2012

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2012	Total 2011
REVENUE					
United Way	\$ 438,160	\$ -	\$ -	\$ 438,160	\$ 434,000
Government contract services:					
Ministries of Community and Social Services and Children and Youth	443,185	-	-	443,185	448,242
Regional Municipality of Waterloo	383,630	-	-	383,630	366,307
Ontario Trillium Foundation	33,789	-	-	33,789	-
Fees for services:					
Client user fees	151,546	-	-	151,546	172,469
Health-Connect Counselling Partners	325,698	-	-	325,698	325,790
Employee assistance contracts	201,764	-	-	201,764	215,552
Other services	173,475	-	-	173,475	164,822
Fundraising					
Program designated	177,980	-	-	177,980	215,875
General donations & memberships	97,214	-	-	97,214	105,409
Special Events	61,655	-	-	61,655	100,176
Interest	2,912	10,897	5,487	19,296	17,889
Amortization of deferred contributions related to building and equipment	-	142,597	-	142,597	152,463
	<u>2,491,008</u>	<u>153,494</u>	<u>5,487</u>	<u>2,649,989</u>	<u>2,718,994</u>
EXPENSES					
Salaries, wages and benefits	1,983,964	-	-	1,983,964	2,087,050
Occupancy costs	141,565	-	-	141,565	154,066
Travel expense, conference and dues	22,503	-	-	22,503	23,837
Special Events	1,876	-	-	1,876	72,774
Program, office and other administrative costs	310,134	-	-	310,134	254,119
Amortization of capital assets	-	174,590	-	174,590	181,061
	<u>2,460,042</u>	<u>174,590</u>	<u>-</u>	<u>2,634,632</u>	<u>2,772,907</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>30,966</u>	\$ <u>(21,096)</u>	\$ <u>5,487</u>	\$ <u>15,357</u>	\$ <u>(53,913)</u>

See accompanying notes to the financial statements.

Kitchener-Waterloo Counselling Services Incorporated

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2012	Total 2011
OPERATING ACTIVITIES					
Operations					
Excess (deficiency) of revenue over expenses	\$ 30,966	\$ (21,096)	\$ 5,487	\$ 15,357	\$ (53,913)
Items not involving cash					
Amortization of capital assets	-	174,590	-	174,590	181,061
Amortization of deferred contributions	-	(142,597)	-	(142,597)	(152,463)
	<u>30,966</u>	<u>10,897</u>	<u>5,487</u>	<u>47,350</u>	<u>(25,315)</u>
Changes in non-cash working capital					
Accounts receivable	(20,257)	(6,665)	(3,371)	(30,293)	153,964
Prepaid expenses	5,513	-	-	5,513	3,544
Accounts payable and accrued liabilities	22,173	-	-	22,173	28,416
Deferred revenue	(146,274)	-	-	(146,274)	(87,421)
	<u>(107,879)</u>	<u>4,232</u>	<u>2,116</u>	<u>(101,531)</u>	<u>73,188</u>
FINANCING ACTIVITIES					
Inter-fund transfer	2,100	(2,100)	-	-	-
Deferred contributions related to building and equipment	-	2,100	-	2,100	55,900
	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>55,900</u>
INVESTING ACTIVITIES					
Inter-fund transfer	(17,323)	17,323	-	-	-
Purchase of furnishings and equipment	-	(17,323)	-	(17,323)	(69,735)
Purchase of investments	(100,000)	(70,899)	(35,449)	(206,348)	(1,053)
	<u>(117,323)</u>	<u>(70,899)</u>	<u>(35,449)</u>	<u>(223,671)</u>	<u>(70,788)</u>
INCREASE (DECREASE) IN CASH					
	(223,102)	(66,667)	(33,333)	(323,102)	58,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	<u>556,445</u>	<u>66,667</u>	<u>33,333</u>	<u>656,445</u>	<u>598,145</u>
CASH AND CASH EQUIVALENTS, END OF YEAR					
	<u>\$ 333,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,343</u>	<u>\$ 656,445</u>

See accompanying notes to the financial statements.

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

The Accounting Standards Board (AcSB) introduced a new financial reporting framework for not-for-profit organizations effective for years beginning on or after January 1, 2012. The new framework, referred to as Part III of the CICA Handbook, is required to be implemented on a retroactive basis as of the date of transition. Accordingly, these financial statements, including comparative figures for 2011, have been prepared in accordance with Part III.

The adoption of Part III of the CICA Handbook-Accounting has had no impact on the total assets, liabilities or net assets as at the date of transition (January 1, 2011) or revenues and expenditures or cash flows for the year ended December 31, 2011 compared to the amounts previously reported in accordance with pre-changeover Canadian generally accepted accounting principles. The following is the condensed statement of financial position at the date of transition, January 1, 2011:

ASSETS

Current	\$	859,731
Long Term Assets		500,000
Land, building and equipment		<u>3,201,489</u>
Total Assets	\$	<u>4,561,220</u>

LIABILITIES AND NET ASSETS

Current	\$	521,610
Deferred contributions		2,874,997
Fund Balances		<u>1,164,613</u>
Total Liabilities and Net Assets	\$	<u>4,561,220</u>

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Fund Accounting

The Operating Fund reports revenues and expenses related to program delivery and administrative activities.

During the year the organization changed the Capital Reserve Fund to a Capital Fund (the "Fund"). The change in name reflects the expanded role of the Fund. In addition to ensuring adequate resources are available to maintain the organization's capital assets over the life of the assets, the Fund now includes all accounting balances and transactions related to the capital assets. Accordingly the original cost and accumulated amortization of capital assets owned by the organization, and the related deferred contributions, were transferred from the Operating Fund to the Capital Fund as of January 1, 2012. The cost of major repairs and replacements, the annual amortization of capital assets and related deferred contributions and income from Fund investments are recorded in the Fund each year.

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.

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.

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (e) Financial instrument policy
Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs are expensed when incurred.
- (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
- (h) Land, building and equipment
Land, building and equipment are recorded at cost in the Capital 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

3. ACCOUNTS RECEIVABLE

Included in receivables is \$17,432 with respect to Harmonized Sales Tax due from the government (2011 - \$16,931).

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 1.70% 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, 2012

5. LAND, BUILDING AND EQUIPMENT

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Building	2,911,744	582,128	2,329,616	2,402,410
Shorter life property components	544,707	276,959	267,748	304,097
Furniture and fixtures	147,883	128,806	19,077	37,481
Electronic equipment and software	422,825	356,370	66,455	96,175
	\$ 4,277,159	\$ 1,344,263	\$ 2,932,896	\$ 3,090,163

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

	<u>2012</u>	<u>2011</u>
Net book value of land, building and equipment	\$ 2,932,896	\$ 3,090,163
Less: Deferred Contributions related to building and equipment net of unspent contributions	<u>(2,637,937)</u>	<u>(2,778,434)</u>
	<u>\$ 294,959</u>	<u>\$ 311,729</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$23,453 with respect to government remittances payable (2011 - \$23,244).

7. 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 265,205	\$ 352,626
Add: Revenue and contributions received relating to a future period	115,711	196,779
Less: Revenues and contributions recognized as revenue	<u>(261,985)</u>	<u>(284,200)</u>
Balance, end of year	<u>\$ 118,931</u>	<u>\$ 265,205</u>

Kitchener-Waterloo Counselling Services Incorporated

NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2012

8. 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ <u>2,778,434</u>	\$ <u>2,874,997</u>
Add: contributions received less commitments not honoured	2,100	55,900
Less: contributions recognized as revenue	<u>(142,597)</u>	<u>(152,463)</u>
	<u>(140,497)</u>	<u>(96,563)</u>
Balance, end of year	\$ <u><u>2,637,937</u></u>	\$ <u><u>2,778,434</u></u>

9. 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, 2012 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, 2013. Accordingly, no amounts have been recorded as receivable (payable) related to the service contracts ending March 31, 2013.

10. 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 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 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, 2012

11. COMMITMENT

A letter of credit in the amount of \$10,000 (2011 - \$10,000), issued to the City of Kitchener in conjunction with the facility construction, remains outstanding.

12. 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 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.

Liquidity risk is the risk that the organization will encounter difficulty in meeting a demand for cash or funding its obligations as they come due. The organization meets its liquidity requirements by monitoring the cash flow from operations, investment performance and the anticipated cash flows from investing and financing activities. The organization is exposed to liquidity risk through its financial instruments, particularly those with stated maturities extending beyond 90 days.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.