

Kitchener-Waterloo Counselling Services Incorporated
Financial Statements
For the year ended December 31, 2016

Kitchener-Waterloo Counselling Services Incorporated

Index to Financial Statements

For the year ended December 31, 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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, 2016, the statement 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 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.

Continues

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 client user fees for services, general donations, memberships and special events 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, 2016 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.

A handwritten signature in black ink that reads "Clarke Starke & Diegel LLP". The signature is written in a cursive, flowing style.

Waterloo, Ontario
April 27, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Kitchener-Waterloo Counselling Services Incorporated

Statement of Financial Position

As at December 31, 2016

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2016	Total 2015
ASSETS					
CURRENT					
Cash	\$ 486,348	\$ -	\$ -	\$ 486,348	\$ 668,538
Accounts receivable (Note 3)	88,093	25,865	10,371	124,329	166,540
Prepaid expenses	20,370	-	-	20,370	17,855
Interfund accounts (Note 4)	<u>(40,861)</u>	<u>40,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
	553,950	66,726	10,371	631,047	852,933
LONG TERM INVESTMENTS (Note 5)	-	554,915	222,508	777,423	746,756
LAND, BUILDING AND EQUIPMENT (Note 6)	<u>-</u>	<u>2,499,727</u>	<u>-</u>	<u>2,499,727</u>	<u>2,613,377</u>
	<u>\$ 553,950</u>	<u>\$ 3,121,368</u>	<u>\$ 232,879</u>	<u>\$ 3,908,197</u>	<u>\$ 4,213,066</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 7)	\$ 238,071	\$ -	\$ -	\$ 238,071	\$ 225,284
Deferred revenue (Note 8)	<u>207,553</u>	<u>-</u>	<u>-</u>	<u>207,553</u>	<u>470,452</u>
	445,624	-	-	445,624	695,736
DEFERRED CONTRIBUTIONS (Note 9)	<u>-</u>	<u>2,171,972</u>	<u>-</u>	<u>2,171,972</u>	<u>2,281,318</u>
	<u>445,624</u>	<u>2,171,972</u>	<u>-</u>	<u>2,617,596</u>	<u>2,977,054</u>
NET ASSETS					
Investment in tangible capital assets (Note 6)	-	327,755	-	327,755	332,059
Surplus to maintain stability and community programs	<u>108,326</u>	<u>621,641</u>	<u>232,879</u>	<u>962,846</u>	<u>903,953</u>
	<u>108,326</u>	<u>949,396</u>	<u>232,879</u>	<u>1,290,601</u>	<u>1,236,012</u>
	<u>\$ 553,950</u>	<u>\$ 3,121,368</u>	<u>\$ 232,879</u>	<u>\$ 3,908,197</u>	<u>\$ 4,213,066</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes form an integral part of these financial statements

Kitchener-Waterloo Counselling Services Incorporated

Statement of Changes in Net Assets

For the year ended December 31, 2016

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2016	Total 2015
NET ASSETS, BEGINNING OF THE YEAR	\$ 66,228	\$ 941,081	\$ 228,703	\$ 1,236,012	\$ 1,169,359
Excess (deficiency) of revenue over expenses	67,565	(17,152)	4,176	54,589	66,653
Transfer of assets purchased	<u>(25,467)</u>	<u>25,467</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF THE YEAR	<u>\$ 108,326</u>	<u>\$ 949,396</u>	<u>\$ 232,879</u>	<u>\$ 1,290,601</u>	<u>\$ 1,236,012</u>

The accompanying notes form an integral part of these financial statements

Kitchener-Waterloo Counselling Services Incorporated

Statement of Operations

For the year ended December 31, 2016

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2016	Total 2015
REVENUE					
United Way	\$ 420,871	\$ -	\$ -	\$ 420,871	\$ 439,350
Government contract services:					
Ministries of Community and Social Services and Children and Youth	562,735	-	-	562,735	640,572
Regional Municipality of Waterloo	425,142	-	-	425,142	381,507
Ontario Trillium Foundation	73,997	-	-	73,997	63,403
Ministry of Citizenship and Immigration	-	-	-	-	6,093
Fees for services:					
Client user fees	202,011	-	-	202,011	185,434
Health-Connect Counselling Partners	334,940	-	-	334,940	325,698
Employee assistance contracts	151,095	-	-	151,095	139,962
Other services	147,788	-	-	147,788	121,214
Fundraising:					
Program designated	399,899	-	-	399,899	283,414
General donations and memberships	103,676	-	-	103,676	118,048
Special events	68,064	-	-	68,064	174,359
Interest	58	12,619	4,176	16,853	21,948
Amortization of deferred contributions related to building and equipment	-	109,346	-	109,346	111,144
	<u>2,890,276</u>	<u>121,965</u>	<u>4,176</u>	<u>3,016,417</u>	<u>3,012,146</u>
EXPENSES					
Salaries, wages and benefits	2,232,606	-	-	2,232,606	2,271,745
Occupancy costs	169,436	-	-	169,436	142,739
Travel expense, conference and dues	21,717	-	-	21,717	23,473
Special events	11,138	-	-	11,138	1,794
Program, office and other administrative costs	362,814	-	-	362,814	365,964
Amortization of building and equipment	-	139,117	-	139,117	139,778
Endowment contribution to Kitchener- Waterloo Community Foundation (Note 11)	25,000	-	-	25,000	-
	<u>2,822,711</u>	<u>139,117</u>	<u>-</u>	<u>2,961,828</u>	<u>2,945,493</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>67,565</u>	\$ <u>(17,152)</u>	\$ <u>4,176</u>	\$ <u>54,589</u>	\$ <u>66,653</u>

The accompanying notes form an integral part of these financial statements

Kitchener-Waterloo Counselling Services Incorporated

Statement of Cash Flows

For the year ended December 31, 2016

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2016	Total 2015
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses	\$ 67,565	\$ (17,152)	\$ 4,176	\$ 54,589	\$ 66,653
Items not involving cash					
Amortization of capital assets	-	139,117	-	139,117	139,778
Amortization of deferred contributions	-	(109,346)	-	(109,346)	(111,144)
	<u>67,565</u>	<u>12,619</u>	<u>4,176</u>	<u>84,360</u>	<u>95,287</u>
Changes in non-cash working capital					
Accounts receivable	51,565	(4,753)	(4,601)	42,211	(33,523)
Prepaid expenses	(2,515)	-	-	(2,515)	7,177
Accounts payable and accrued liabilities	12,787	-	-	12,787	(125,601)
Deferred revenue	(262,899)	-	-	(262,899)	195,501
	<u>(133,497)</u>	<u>7,866</u>	<u>(425)</u>	<u>(126,056)</u>	<u>138,841</u>
INVESTING ACTIVITIES					
Purchase of furnishings and equipment	(25,467)	-	-	(25,467)	(32,609)
Purchase of investments	(23,226)	(7,866)	425	(30,667)	(19,675)
	<u>(48,693)</u>	<u>(7,866)</u>	<u>425</u>	<u>(56,134)</u>	<u>(52,284)</u>
INCREASE (DECREASE) IN CASH	(182,190)	-	-	(182,190)	86,557
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>668,538</u>	<u>-</u>	<u>-</u>	<u>668,538</u>	<u>581,981</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 486,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,348</u>	<u>\$ 668,538</u>

The accompanying notes form an integral part of these financial statements

Kitchener-Waterloo Counselling Services Incorporated

Notes to the Financial Statements

For the year ended December 31, 2016

1. DESCRIPTION OF OPERATIONS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with the Canadian accounting standards for Not-for-Profit organizations (ASNPO).

Fund accounting

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

The Capital Fund reports activity related to ensuring adequate resources are available to maintain the organization's capital assets over the life of the assets. The Fund includes all accounting balances and transactions related to the capital assets including the original cost and accumulated amortization of capital assets owned by the organization, and the related deferred contributions. 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.

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, memberships and special events revenue, which are voluntarily made, are recognized when the organization has reasonable assurance that they will be received.

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated materials and services

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

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>Rates</u>
Building	Straightline	40 years
Shorter life property components	Straightline	15 years
Furniture and fixtures	Straightline	8 years
Electronic equipment and software	Straightline	4 years

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.

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.

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.

3. ACCOUNTS RECEIVABLE

Included in accounts receivable is \$24,741 with respect to Harmonized Sales Tax due from the government (2015 - \$18,934).

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2016

4. INTERFUND LOANS

Interfund loans are non-interest bearing and have no specific terms for repayment.

5. INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Guaranteed investment certificates	\$ 501,048	\$ 746,756
Mutual funds (book value \$274,715)	<u>276,375</u>	<u>-</u>
	<u>\$ 777,423</u>	<u>\$ 746,756</u>

Guaranteed investment certificates (GICs) having stepped maturities from less than one year to five years with rates of return between 2.05% and 3.45%. All investments certificates are secured by Canada Deposit Insurance Corporation coverage.

The mutual funds are all invested in money market type funds. The effective rate of return for 2016 is 0.72%.

6. LAND, BUILDING AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Land	\$ 248,250	\$ -	\$ 248,250	\$ 248,250
Building	2,914,868	873,382	2,041,487	2,111,235
Shorter life property components	558,094	424,659	133,435	169,197
Furniture and fixtures	193,852	148,770	45,082	52,708
Electronic equipment and software	<u>335,466</u>	<u>303,993</u>	<u>31,473</u>	<u>31,987</u>
	<u>\$ 4,250,530</u>	<u>\$ 1,750,803</u>	<u>\$ 2,499,727</u>	<u>\$ 2,613,377</u>

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

	<u>2016</u>	<u>2015</u>
Net book value of land, building and equipment	\$ 2,499,727	\$ 2,613,377
Less: Deferred contributions related to building and equipment net of unspent contributions	<u>(2,171,972)</u>	<u>(2,281,318)</u>
	<u>\$ 327,755</u>	<u>\$ 332,059</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$33,245 with respect to government remittances payable (2015 - \$38,059).

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2016

8. 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 470,452	\$ 274,951
Add: Contributions received relating to a future period	438,438	689,405
Less: Contributions recognized as revenue in the year	<u>(701,337)</u>	<u>(493,904)</u>
Balance, end of year	<u>\$ 207,553</u>	<u>\$ 470,452</u>

9. DEFERRED CONTRIBUTIONS RELATED TO BUILDING AND EQUIPMENT

Deferred contributions represent the unamortized contributions received for the purchase of the building and equipment. The changes for the year in deferred contributions are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,281,318	\$ 2,392,462
Less: Contributions recognized as revenue in the year	<u>(109,346)</u>	<u>(111,144)</u>
Balance, end of year	<u>\$ 2,171,972</u>	<u>\$ 2,281,318</u>

10. 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, 2016 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, 2017. Accordingly, no amounts have been recorded as receivable (payable) related to the service contracts ending March 31, 2017.

11. ENDOWMENT CONTRIBUTION TO KITCHENER-WATERLOO COMMUNITY FOUNDATION

During the year, \$25,000 was transferred to Kitchener-Waterloo Community Foundation to establish the Kitchener-Waterloo Counselling Services Inc. Endowment Fund. The management of the fund is at the discretion of the Kitchener-Waterloo Community Foundation. The organization will receive disbursements from the income of this fund in the future.

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2016

12. 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 will transfer amounts between funds as needed to ensure capital in each fund is adequate for its purposes. All transfers are approved by the Board of Directors.

The Board of Directors and management carefully consider funding from United Way, government contract services, fees for services, fundraising 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.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, long term 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 market 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 5.

The organization is subject to credit risk with respect to accounts receivable. It determines, on a continuing basis, the probable bad debts and as needed sets up a provision for losses based on net realizable value. The allowance for doubtful accounts at December 31, 2016 is \$125 (2015 - Nil).

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.

The extent of the organization's exposure to the above risks did not change significantly during the year.