

Kitchener-Waterloo Counselling Services Incorporated
Financial Statements
For the year ended December 31, 2017

Kitchener-Waterloo Counselling Services Incorporated

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For the year ended December 31, 2017

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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, 2017, 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 for December 31, 2017 and December 31, 2016.

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, 2017 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 26, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Kitchener-Waterloo Counselling Services Incorporated

Statement of Financial Position

As at December 31, 2017

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2017	Total 2016
ASSETS					
CURRENT					
Cash	\$ 873,559	\$ -	\$ -	\$ 873,559	\$ 486,348
Accounts receivable (Note 3)	111,793	19,999	8,019	139,811	124,329
Prepaid expenses	19,768	-	-	19,768	20,370
Interfund accounts (Note 4)	<u>(26,581)</u>	<u>26,581</u>	<u>-</u>	<u>-</u>	<u>-</u>
	978,539	46,580	8,019	1,033,138	631,047
LONG TERM INVESTMENTS (Note 5)	-	569,468	228,344	797,812	777,423
LAND, BUILDING AND EQUIPMENT (Note 6)	<u>-</u>	<u>2,541,953</u>	<u>-</u>	<u>2,541,953</u>	<u>2,499,727</u>
	<u>\$ 978,539</u>	<u>\$ 3,158,001</u>	<u>\$ 236,363</u>	<u>\$ 4,372,903</u>	<u>\$ 3,908,197</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 7)	\$ 203,217	\$ -	\$ -	\$ 203,217	\$ 238,071
Deferred revenue (Note 8)	<u>775,322</u>	<u>-</u>	<u>-</u>	<u>775,322</u>	<u>207,553</u>
	978,539	-	-	978,539	445,624
DEFERRED CONTRIBUTIONS (Note 9)	<u>-</u>	<u>2,077,864</u>	<u>-</u>	<u>2,077,864</u>	<u>2,171,972</u>
	<u>978,539</u>	<u>2,077,864</u>	<u>-</u>	<u>3,056,403</u>	<u>2,617,596</u>
NET ASSETS					
Investment in tangible capital assets (Note 6)	-	464,089	-	464,089	327,755
Surplus to maintain stability and community programs	<u>-</u>	<u>616,048</u>	<u>236,363</u>	<u>852,411</u>	<u>962,846</u>
	<u>-</u>	<u>1,080,137</u>	<u>236,363</u>	<u>1,316,500</u>	<u>1,290,601</u>
	<u>\$ 978,539</u>	<u>\$ 3,158,001</u>	<u>\$ 236,363</u>	<u>\$ 4,372,903</u>	<u>\$ 3,908,197</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, 2017

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2017	Total 2016
NET ASSETS, BEGINNING OF THE YEAR	\$ 108,326	\$ 949,396	\$ 232,879	\$ 1,290,601	\$ 1,236,012
Excess (deficiency) of revenue over expenses	53,164	(30,749)	3,484	25,899	54,589
Transfer of assets purchased	(191,109)	191,109	-	-	-
Transfer of deferred contributions collected	15,338	(15,338)	-	-	-
Transfer from Capital Fund (Note 11)	<u>14,281</u>	<u>(14,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF THE YEAR	<u>\$ -</u>	<u>\$ 1,080,137</u>	<u>\$ 236,363</u>	<u>\$ 1,316,500</u>	<u>\$ 1,290,601</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, 2017

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2017	Total 2016
REVENUE					
United Way	\$ 382,236	\$ -	\$ -	\$ 382,236	\$ 420,871
Government contract services:					
Ministries of Community and Social Services and Children and Youth	498,994	-	-	498,994	562,735
Regional Municipality of Waterloo	286,441	-	-	286,441	425,142
Ontario Trillium Foundation	111,459	-	-	111,459	73,997
Ontario Trillium Foundation - Infrastructure Grant	117,157	-	-	117,157	-
Fees for services:					
Client user fees	234,959	-	-	234,959	192,011
Health-Connect Counselling Partners	292,987	-	-	292,987	334,940
Employee assistance contracts	131,139	-	-	131,139	151,095
Other services	98,300	-	-	98,300	157,788
Fundraising:					
Program designated	459,474	-	-	459,474	367,202
General donations and memberships	163,681	-	-	163,681	136,373
Special events	55,923	-	-	55,923	68,064
Interest	3,849	8,689	3,484	16,022	16,853
Amortization of deferred contributions related to building and equipment	-	109,446	-	109,446	109,346
	<u>2,836,599</u>	<u>118,135</u>	<u>3,484</u>	<u>2,958,218</u>	<u>3,016,417</u>
EXPENSES					
Salaries, wages and benefits	2,218,540	-	-	2,218,540	2,232,606
Occupancy costs	145,521	-	-	145,521	169,436
Travel expense, conference and dues	19,122	-	-	19,122	21,717
Special events	9,987	-	-	9,987	11,138
Program, office and other administrative costs	273,108	-	-	273,108	362,814
Amortization of building and equipment	-	148,884	-	148,884	139,117
Infrastructure improvements	117,157	-	-	117,157	-
Endowment contribution to Kitchener- Waterloo Community Foundation	-	-	-	-	25,000
	<u>2,783,435</u>	<u>148,884</u>	<u>-</u>	<u>2,932,319</u>	<u>2,961,828</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 53,164</u>	<u>\$ (30,749)</u>	<u>\$ 3,484</u>	<u>\$ 25,899</u>	<u>\$ 54,589</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, 2017

	Operating Fund	Capital Fund	Emergency Reserve Fund	Total 2017	Total 2016
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses	\$ 53,164	\$ (30,749)	\$ 3,484	\$ 25,899	\$ 54,589
Items not involving cash:					
Amortization of capital assets	-	148,884	-	148,884	139,117
Amortization of deferred contributions	-	(109,446)	-	(109,446)	(109,346)
	<u>53,164</u>	<u>8,689</u>	<u>3,484</u>	<u>65,337</u>	<u>84,360</u>
Changes in non-cash working capital:					
Accounts receivable	(23,698)	5,864	2,352	(15,482)	42,211
Prepaid expenses	602	-	-	602	(2,515)
Accounts payable and accrued liabilities	(34,857)	-	-	(34,857)	12,788
Deferred revenue	567,771	-	-	567,771	(262,900)
	<u>562,982</u>	<u>14,553</u>	<u>5,836</u>	<u>583,371</u>	<u>(126,056)</u>
FINANCING ACTIVITIES					
Deferred contributions received related to building and equipment	15,338	-	-	15,338	-
	<u>15,338</u>	<u>-</u>	<u>-</u>	<u>15,338</u>	<u>-</u>
INVESTING ACTIVITIES					
Purchase of capital assets	(191,109)	-	-	(191,109)	(25,467)
Purchase of investments	-	(14,553)	(5,836)	(20,389)	(30,667)
	<u>(191,109)</u>	<u>(14,553)</u>	<u>(5,836)</u>	<u>(211,498)</u>	<u>(56,134)</u>
INCREASE (DECREASE) IN CASH	387,211	-	-	387,211	(182,190)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>486,348</u>	<u>-</u>	<u>-</u>	<u>486,348</u>	<u>668,538</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 873,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,559</u>	<u>\$ 486,348</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, 2017

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. The cost of major repairs and replacements, annual amortization of capital assets, 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, 2017

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. Transaction costs are expensed when incurred. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Cash and cash equivalents

The organization considers cash deposited in financial institutions and term deposits with short-term maturities 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 of the Operating Fund is \$38,402 with respect to Harmonized Sales Tax due from the government (2016 - \$24,741).

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2017

4. INTERFUND ACCOUNTS

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

5. LONG TERM INVESTMENTS

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates	\$ 352,326	\$ 501,048
Money market funds	<u>445,486</u>	<u>276,375</u>
	<u>\$ 797,812</u>	<u>\$ 777,423</u>

Guaranteed investment certificates (GICs) having stepped maturities from less than one year to five years with rates of return between 2.05% and 2.60%. 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 2017 is 0.90% (2016 - 0.72%).

6. LAND, BUILDING AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Land	\$ 248,250	\$ -	\$ 248,250	\$ 248,250
Building	3,066,191	950,037	2,116,155	2,041,487
Shorter life property components	561,603	462,136	99,467	133,435
Furniture and fixtures	197,485	158,119	39,366	45,082
Electronic equipment and software	<u>368,111</u>	<u>329,396</u>	<u>38,715</u>	<u>31,473</u>
	<u>\$ 4,441,640</u>	<u>\$ 1,899,687</u>	<u>\$ 2,541,953</u>	<u>\$ 2,499,727</u>

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

	<u>2017</u>	<u>2016</u>
Net book value of land, building and equipment	\$ 2,541,953	\$ 2,499,727
Less: Deferred contributions related to building and equipment net of unspent contributions	<u>(2,077,864)</u>	<u>(2,171,972)</u>
	<u>\$ 464,089</u>	<u>\$ 327,755</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities of the Operating Fund is \$25,651 with respect to government remittances payable (2016 - \$33,245).

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2017

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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 207,553	\$ 470,452
Add: Contributions received relating to a future period	1,759,794	438,438
Less: Contributions recognized as revenue in the year	<u>(1,192,025)</u>	<u>(701,337)</u>
Balance, end of year	<u>\$ 775,322</u>	<u>\$ 207,553</u>

9. DEFERRED CONTRIBUTIONS

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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,171,972	\$ 2,281,318
Add: Contributions received relating to a future period	15,338	-
Less: Contributions recognized as revenue in the year	<u>(109,446)</u>	<u>(109,346)</u>
Balance, end of year	<u>\$ 2,077,864</u>	<u>\$ 2,171,972</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, 2017 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, 2018. Accordingly, no amounts have been recorded as receivable (payable) related to the service contracts ending March 31, 2018.

Kitchener-Waterloo Counselling Services Incorporated

Notes to Financial Statements

For the year ended December 31, 2017

11. 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.

During the year, \$14,281 was transferred from the Capital Fund to the Operating Fund as 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.

12. 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, 2017 is \$85 (2016 - \$125).

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.