

**Kawartha-Haliburton Children's  
Foundation  
Financial Statements  
For the Year Ended December 31, 2018**

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**Financial Statements**  
**For the Year Ended December 31, 2018**

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## Independent Auditor's Report

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**To the Directors of  
Kawartha-Haliburton Children's Foundation**

### **Qualified Opinion**

We have audited the accompanying financial statements of Kawartha-Haliburton Children's Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Other Matters**

The financial statements of Kawartha-Haliburton Children's Foundation for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion on those statements on March 29, 2018 on the same basis described above.



### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundations's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundations's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundations's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants  
Peterborough, Ontario  
March 28, 2019

# Kawartha-Haliburton Children's Foundation

## Statement of Financial Position

December 31	Operating Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 190,241	\$ -	\$ -	\$ 190,241	\$ 123,245
Short-term investments (Note 2)	-	7,057	13,117	20,174	13,139
Accounts receivable	13,885	-	-	13,885	13,085
Prepaid expenses	50,384	-	-	50,384	32,910
Interfund loans (Note 3)	(190,400)	91,069	99,331	-	-
	64,110	98,126	112,448	274,684	182,379
Long-term investments (Note 2)	-	223,273	420,357	643,630	673,397
	\$ 64,110	\$ 321,399	\$ 532,805	\$ 918,314	\$ 855,776
<b>Liabilities and Net Assets</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ 14,110	\$ -	\$ -	\$ 14,110	\$ 7,014
Deferred contributions (Note 4)	50,000	-	-	50,000	355
	64,110	-	-	64,110	7,369
<b>Net Assets</b>					
Externally restricted	-	-	532,805	532,805	554,023
Internally restricted	-	321,399	-	321,399	294,384
	-	321,399	532,805	854,204	848,407
	\$ 64,110	\$ 321,399	\$ 532,805	\$ 918,314	\$ 855,776

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

## Kawartha-Haliburton Children's Foundation Statement of Changes in Fund Balances

For the year ended December 31	Operating Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
Balance, beginning of the year	\$ -	\$ 294,384	\$ 554,023	\$ 848,407	\$ 858,204
Excess (deficiency) of revenues over expenses	8,595	(971)	(1,827)	5,797	(9,797)
Interfund transfers (Note 5)	(8,595)	27,986	(19,391)	-	-
Balance, end of the year	\$ -	\$ 321,399	\$ 532,805	\$ 854,204	\$ 848,407

The accompanying notes are an integral part of these financial statements.

## Kawartha-Haliburton Children's Foundation Statement of Operations

For the year ended December 31	Operating Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
<b>Revenue</b>					
Donation revenue	\$ 214,846	\$ -	\$ -	\$ 214,846	\$ 145,967
Fundraising events (Note 6)	111,150	-	-	111,150	118,787
Santa's Sleigh	6,810	-	-	6,810	5,435
Investment income	-	7,705	14,500	22,205	20,507
Membership fees	60	-	-	60	90
Gifts in kind - advertising	27,971	-	-	27,971	27,590
	<b>360,837</b>	<b>7,705</b>	<b>14,500</b>	<b>383,042</b>	<b>318,376</b>
<b>Expenses</b>					
Bursaries	54,178	-	-	54,178	25,598
Camp and other needs	126,523	-	-	126,523	138,237
Fundraising expenses (Note 6)	42,380	-	-	42,380	42,355
Office expenses	9,192	-	-	9,192	9,097
Other operating expenses	-	-	-	-	3,190
Professional fees	6,574	2,161	4,066	12,801	12,967
Salaries and benefits	85,424	-	-	85,424	92,700
Gifts in kind - advertising	27,971	-	-	27,971	27,590
	<b>352,242</b>	<b>2,161</b>	<b>4,066</b>	<b>358,469</b>	<b>351,734</b>
<b>Excess (deficiency) of revenues over expenses before other income (expenses)</b>	<b>8,595</b>	<b>5,544</b>	<b>10,434</b>	<b>24,573</b>	<b>(33,358)</b>
<b>Other income (expenses)</b>					
Gain (loss) on investments - realized	-	(170)	(319)	(489)	3,041
Gain (loss) on investments - unrealized	-	(6,345)	(11,942)	(18,287)	20,520
	<b>-</b>	<b>(6,515)</b>	<b>(12,261)</b>	<b>(18,776)</b>	<b>23,561</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 8,595</b>	<b>\$ (971)</b>	<b>\$ (1,827)</b>	<b>\$ 5,797</b>	<b>\$ (9,797)</b>

The accompanying notes are an integral part of these financial statements.

## Kawartha-Haliburton Children's Foundation Statement of Cash Flows

For the year ended December 31	2018	2017
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 5,797	\$ (9,797)
Items not affecting cash:		
(Gain) loss on investments - realized	489	(3,041)
(Gain) loss on investments - unrealized	18,287	(20,520)
	<u>24,573</u>	<u>(33,358)</u>
Changes in non-cash working capital:		
Accounts receivable	(800)	7,872
Prepaid expenses	(17,474)	(3,230)
Accounts payable and accrued liabilities	7,097	(7,608)
Deferred contributions	49,645	5
	<u>63,041</u>	<u>(36,319)</u>
<b>Cash flows from investing activities</b>		
Net change in investments	3,955	5,469
<b>Net increase (decrease) in cash</b>	<b>66,996</b>	<b>(30,850)</b>
<b>Cash, beginning of the year</b>	<b>123,245</b>	<b>154,095</b>
<b>Cash, end of the year</b>	<b>\$ 190,241</b>	<b>\$ 123,245</b>

The accompanying notes are an integral part of these financial statements.



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## Kawartha-Haliburton Children's Foundation

### Notes to Financial Statements

December 31, 2018

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#### 1 .Significant Accounting Policies

<b>Nature and Purpose of Organization</b>	<p>The foundation is a non-profit organization incorporated on March 4, 1982 without share capital under the laws of Ontario. The foundation was formed to generate and manage donation funds and other gifts to enrich the quality of life of children found in need of protection by the Kawartha-Haliburton Children's Aid Society.</p> <p>The foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.</p>
<b>Basis of Accounting</b>	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
<b>Fund Accounting</b>	<p>The foundation follows the deferral method of accounting for contributions and uses fund accounting.</p> <p>Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.</p> <p>The Restricted Fund reports contributions for special purposes which are internally restricted. Investment income earned on resources of the Restricted Fund is reported in the Restricted Fund.</p> <p>Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund, depending on the nature of any restrictions imposed by contributors of funds for endowment.</p>
<b>Revenue Recognition</b>	<p>Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Restricted net investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.</p>

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## Kawartha-Haliburton Children's Foundation

### Notes to Financial Statements

December 31, 2018

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#### 1. Significant Accounting Policies (continued)

**Contributed Materials and Services** Contributed materials and services which are used in the normal course of the foundation's operations and would otherwise been purchased are recorded at fair value at the date of contribution.

Volunteers contribute many hours per year to assist the foundation in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

These financial statements do not reflect the substantial value of gifts donated by the community as part of the Santa's Sleigh, due to the difficulty in determining their fair value.

**Financial Instruments** Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, investments are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

**Tangible Capital Assets** The foundation's average annual revenues for the preceding two years is less than \$500,000 and, as a result, the foundation is not required to record tangible capital assets and amortize the costs over their estimated useful life. Tangible capital assets are not recorded in the statement of financial position. Tangible capital assets are expensed in the year they are acquired.

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## Kawartha-Haliburton Children's Foundation

### Notes to Financial Statements

December 31, 2018

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#### 2. Investments

Investments are comprised of the following:

	2018	2017
Short-term investments:		
Cash and money market funds	\$ 20,174	\$ 13,139
Long-term investments:		
Fixed income	430,026	439,288
Canadian equity funds	115,085	128,577
United States equity funds	54,180	58,765
Foreign equity funds	44,339	46,767
	643,630	673,397
	\$ 663,804	\$ 686,536

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#### 3. Interfund Loans

Interfund loans bear no interest, are unsecured and have no terms of repayment.

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#### 4. Deferred Contributions

Deferred contributions represent restricted operating funding received in the current period that is related to expenses of a subsequent period. The \$50,000 in deferred contributions at year end relate to the bursary program.

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#### 5. Interfund Transfers and Internal Restrictions on Net Assets

During 2014, the foundation's board of directors approved the creation of a Restricted Fund, which is a budget stabilization fund to be held to offset future operating deficits. During the year, the foundation's board of directors transferred \$27,986 from the Operating Fund to the Restricted Fund. These internally restricted amounts are not available for other purposes without approval of the board of directors. In addition, investment income of \$19,391 was transferred from the Endowment Fund to the Operating Fund in order to fund cash outlays for general operating expenses with the approval of the board of directors.

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## Kawartha-Haliburton Children's Foundation

### Notes to Financial Statements

December 31, 2018

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#### 6. Fundraising Events

During the year, fundraising events generated revenues and expenses as follows:

	Revenue	Expenses	2018 Net	2017 Net
Dreamball	\$ 97,818	\$ 42,193	\$ 55,625	\$ 67,216
Axe Throwing	13,332	188	13,144	9,216
	<b>\$ 111,150</b>	<b>\$ 42,381</b>	<b>\$ 68,769</b>	<b>\$ 76,432</b>

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#### 7. Related Party Transactions

The Kawartha-Haliburton Children's Aid Society is a child protection agency mandated under the Child, Youth and Family Services Act in Ontario and is responsible for the care and protection of children in the Cities of Peterborough and Kawartha Lakes and the Counties of Peterborough and Haliburton. Kawartha-Haliburton Children's Foundation generates and manages donation funds and other gifts to enrich the quality of life of children found in need of protection by the Kawartha-Haliburton Children's Aid Society. As the foundation's purpose is integrated with that of the Kawartha-Haliburton Children's Aid Society, the two organizations are related.

Kawartha-Haliburton Children's Aid Society owns the building in which the foundation operates. Office space is provided to the foundation on a rent-free basis. No amount related to these transactions was recognized in the financial statements.

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#### 8. Financial Instruments

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The foundation is exposed to credit risk arising from all of its bank accounts being held at one financial institution.

There have not been any changes in the risk from the prior year.

##### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The foundation is exposed to market risk through its investments in quoted shares and mutual funds. The foundation manages market risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis.

There have not been any changes in the risk from the prior year.

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**Kawartha-Haliburton Children's Foundation**  
**Notes to Financial Statements**

**December 31, 2018**

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**9. Comparative Figures**

Certain comparative figures were restated, where required, to conform to the current year presentation.

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