

CHILD WITNESS CENTRE OF WATERLOO REGION

Financial Statements

Year Ended March 31, 2018

CHILD WITNESS CENTRE OF WATERLOO REGION
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Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Child Witness Centre of Waterloo Region

We have audited the accompanying financial statements of Child Witness Centre of Waterloo Region, which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures from operations, changes in net assets and cash flow 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 Members of Child Witness Centre of Waterloo Region *(continued)*

Basis for Qualified Opinion

In common with many not-for-profit organizations, Child Witness Centre of Waterloo Region 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 Child Witness Centre of Waterloo Region. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations, and net assets as of March 31, 2018 and March 31, 2017.

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 Child Witness Centre of Waterloo Region as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Waterloo, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CHILD WITNESS CENTRE OF WATERLOO REGION
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash - unrestricted (Note 3)	\$ 170,743	\$ 174,746
Cash - restricted (Note 3)	183	6,172
Short-term investments (Note 4)	540,513	286,233
Accounts receivable (Note 9)	126,997	58,885
Harmonized sales tax recoverable	10,749	19,175
Prepaid expenses	10,227	12,150
	<u>859,412</u>	<u>557,361</u>
LONG- TERM INVESTMENTS (Note 4)	204,684	212,702
CAPITAL ASSETS (Note 5)	488,993	464,313
	<u>\$ 1,553,089</u>	<u>\$ 1,234,376</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 79,187	\$ 30,543
Employee deductions payable	27,554	21,922
Deferred contributions (Note 6)	508,700	234,843
	<u>615,441</u>	<u>287,308</u>
DEFERRED CONTRIBUTIONS (Note 6)	204,684	212,702
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	75,349	69,583
	<u>895,474</u>	<u>569,593</u>
NET ASSETS		
UNRESTRICTED	227,001	245,053
INTERNALLY RESTRICTED (Note 12)	16,971	25,000
INVESTMENT IN CAPITAL ASSETS	413,643	394,730
	<u>657,615</u>	<u>664,783</u>
	<u>\$ 1,553,089</u>	<u>\$ 1,234,376</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

The accompanying notes form an integral part of these financial statements

CHILD WITNESS CENTRE OF WATERLOO REGION

Statement of Changes in Net Assets

Year Ended March 31, 2018

	Unrestricted	Internally Restricted	Investment in Capital Assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 245,053	\$ 25,000	\$ 394,730	\$ 664,783	\$ 664,012
Excess of revenues over expenses	861	-	-	861	771
Reserve expenditure	-	(8,029)	-	(8,029)	-
Transfer for purchase of capital assets	(76,270)	-	76,270	-	-
Transfer for capital asset funding received	26,750	-	(26,750)	-	-
Allocation of amortization	51,591	-	(51,591)	-	-
Allocation of amortization of deferred contributions	(20,984)	-	20,984	-	-
NET ASSETS - END OF YEAR	\$ 227,001	\$ 16,971	\$ 413,643	\$ 657,615	\$ 664,783

The accompanying notes form an integral part of these financial statements

CHILD WITNESS CENTRE OF WATERLOO REGION
Statement of Revenues and Expenditures from Operations
Year Ended March 31, 2018

	2018	2017
REVENUES		
Donations	\$ 586,618	\$ 351,419
Government funding <i>(Note 9)</i>	378,456	356,676
United Way funding <i>(Note 10)</i>	68,372	75,142
Fundraising events	44,341	42,817
Program events	29,596	28,026
Amortization of deferred contributions <i>(Note 7)</i>	20,984	11,298
Other income	5,983	547
	<u>1,134,350</u>	<u>865,925</u>
EXPENSES		
Facility expenses	58,317	45,572
Amortization	51,591	32,362
Administrative expenses	31,791	20,086
Resource development and marketing expenses	55,875	34,779
Staffing expenses	862,051	678,631
Program expenses	73,864	53,724
	<u>1,133,489</u>	<u>865,154</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 861</u>	<u>\$ 771</u>

The accompanying notes form an integral part of these financial statements

CHILD WITNESS CENTRE OF WATERLOO REGION

**Statement of Cash Flow
Year Ended March 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 861	\$ 771
Item not affecting cash:		
Amortization of capital assets	51,591	32,362
	<u>52,452</u>	<u>33,133</u>
Changes in non-cash working capital:		
Accounts receivable	(68,112)	82,751
Prepaid expenses	1,923	(4,822)
Accounts payable and accrued liabilities	48,644	6,390
Harmonized sales tax recoverable	8,426	(8,182)
Employee deductions payable	5,632	6,894
Deferred contributions	271,605	184,852
	<u>268,118</u>	<u>267,883</u>
Cash flow from operating activities	<u>320,570</u>	<u>301,016</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(76,270)	(106,108)
Net change in investments	(246,263)	(100,206)
Expenditure from the internally restricted net assets fund	(8,029)	-
	<u>(330,562)</u>	<u>(206,314)</u>
Cash flow used by investing activities	<u>(330,562)</u>	<u>(206,314)</u>
INCREASE (DECREASE) IN CASH FLOW	(9,992)	94,702
Cash - beginning of year	<u>180,918</u>	<u>86,216</u>
CASH - END OF YEAR	\$ 170,926	\$ 180,918
CASH CONSISTS OF:		
Cash - unrestricted	\$ 170,743	\$ 174,746
Cash - restricted	183	6,172
	<u>\$ 170,926</u>	<u>\$ 180,918</u>

The accompanying notes form an integral part of these financial statements

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

1. DESCRIPTION OF ORGANIZATION

The Child Witness Centre of Waterloo Region is a not-for-profit agency incorporated under letters of patent in the Province of Ontario and is a registered charity under the Income Tax Act. The agency works in collaboration with the community and provides caring and compassionate support and advocacy for children and youth who are victims or witnesses of crime and their families through their Child Witness Program and the Child and Youth Advocacy Centre. Due to the agency's status under the Income Tax Act, it is not subject to tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with the Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Child Witness Centre of Waterloo Region follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions used to purchase capital assets are deferred and recognized as revenue on the same basis as the amortized expense related to the acquired capital asset. Unrestricted contributions are recognized as revenue when received.

Government funding is recognized in income during the period in which the funded services were provided.

Programming and fundraising events are recognized in income during the period in which the event occurred.

Investment income and other income are recognized into income when earned.

Contributed Services

Volunteers contribute a significant number of hours per year to assist Child Witness Centre of Waterloo Region in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

In-kind Donations

Donations of goods in-kind for which a tax receipt is issued are recorded at the fair market value of the goods and services received.

Harmonized sales tax recoverable

The organization is eligible to receive a semi-annual rebate from the Canada Revenue Agency in the amount of 50% of the federal portion and 82% of the provincial portion of harmonized sales tax paid.

Cash and cash equivalents

The organization considers cash deposited in the operating bank account to be cash and cash equivalents.

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CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. The cost of capital items is capitalized on the date purchased when the cost is greater than \$200 and the life exceeds one year. Leasehold improvements are amortized over the estimated total life of the lease. The remaining capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Leasehold improvements	6 year	straight-line method
Building	4%	declining balance method
Paving	30%	declining balance method
Furniture and fixtures	30%	declining balance method
Electronic equipment and software	50%	declining balance method

One-half the normal amortization is taken in the year of acquisition and no amortization is taken the year of disposal.

Assets under construction are the accumulated costs of capital assets which are being built for use in the organization but are not available for use within the fiscal year. No amortization is taken on these assets until they are utilized within the organization.

Financial instruments 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.

Use of estimates

The preparation of financial statements in accordance with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Estimates included in these financial statements include the interest accrual, the estimated useful lives of capital assets and completeness of expense accruals.

3. CASH

(a) Cash - Restricted

Break open ticket money is held in a separate account at the Bank of Montreal as required by government regulation. Restricted cash must be used only for Child Witness Program expenses.

(b) Cash - Unrestricted

Unrestricted cash (ie. bank balances net of outstanding cheques) is a chequing account at the Bank of Montreal.

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

4. INVESTMENTS

	<u>2018</u>	<u>2017</u>
TD Investment Savings Account	\$ 430,013	\$ 270,733
BMO Guaranteed Investment Certificate, maturing June 28, 2018, with an interest rate of 0.55%	1,500	1,500
TD Guaranteed Investment Certificate, maturing June 12, 2018, with an interest rate of 1.81%	95,000	-
TD Wealth Mutual Funds (book value \$206,881)	<u>218,684</u>	<u>226,702</u>
	<u>\$ 745,197</u>	<u>\$ 498,935</u>

The allocation between short-term and long-term is as follows:

	<u>2018</u>	<u>2017</u>
Short-term investments	\$ 540,513	\$ 286,233
Long-term investments	<u>204,684</u>	<u>212,702</u>
	<u>\$ 745,197</u>	<u>\$ 498,935</u>

At March 31, 2018, the organization had cash deposited in financial institutions of approximately \$395,782 (2017 - \$256,248) in excess of the Canada Deposit Insurance Corporation (CDIC) limits of \$100,000 per institution. The organization does not believe it is exposed to any significant credit risk on these deposits.

Included in short-term investments is \$506,705 that has been designated to satisfy the current portion of deferred contributions as outlined in Note 6.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 96,000	\$ -	\$ 96,000	\$ 96,000
Building	343,250	87,921	255,329	265,968
Paving	7,380	6,772	608	868
Furniture and fixtures	108,607	72,740	35,867	37,643
Electronic equipment and software	69,178	29,202	39,976	18,888
Leasehold improvements	49,032	12,258	36,774	44,946
Assets under construction	24,439	-	24,439	-
	<u>\$ 697,886</u>	<u>\$ 208,893</u>	<u>\$ 488,993</u>	<u>\$ 464,313</u>

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

6. DEFERRED CONTRIBUTIONS

Deferred contributions include break open ticket proceeds, lottery trust proceeds, contributions and grants which are to be used for specified expenditures incurred at a later date. The change in the balance during the year is as follows:

	2018	2017
Opening balance	\$ 447,545	\$ 332,275
Less: Amounts recognized in revenue during the year	(61,843)	(37,227)
Add: Restricted contribution related to future years	327,682	152,497
	\$ 713,384	\$ 447,545

The balance of deferred contributions at March 31, 2018 consists of:

Current

Safe Hands-Strong Futures Campaign	\$ 475,525	\$ 173,019
Child and Youth Advocacy Centre	-	24,519
Youth Symposium	28,180	23,500
Child Witness Program	3,000	1,800
Calendar	-	5,600
	506,705	228,438
Break Open tickets	1,995	6,405
	508,700	234,843

Long-Term

Youth Symposium	204,684	212,702
	\$ 713,384	\$ 447,545

The Safe Hands-Strong Futures campaign includes fundraising amounts received from individuals, corporations and the community which are restricted for the purpose of supporting the Child Witness Centre role in the Child and Youth Advocacy Centre and Child Witness Program. These campaign contributions are deferred until they have been spent on their restricted purpose.

During fiscal 2015, the organization received \$226,200 from the KW Sertoma/LaSertoma Foundation designated for the Waterloo Region Youth Symposium. The use of the funds is restricted to a maximum of \$14,000 per year of investment income and principal for as long as the event continues, beginning April 2016. Any amounts earned on the funds are recorded as an increase to the deferred contribution balance. As of March 31, 2018, the balance of the unspent funds related to this contribution is \$218,684 (\$14,000 to be recognized in 2018-2019 and \$204,684 thereafter).

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include restricted contributions received from government and other organizations for capital asset purchases.

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 69,583	\$ 80,881
Add: Restricted contributions received for the purchase of capital assets	26,750	-
Less: Amounts recognized in revenue during the year	<u>(20,984)</u>	<u>(11,298)</u>
Ending balance	<u>\$ 75,349</u>	<u>\$ 69,583</u>

The agency received \$26,750, as part of an overall grant of \$227,750 from the Department of Justice, for the purchase of capital assets. This funding will be taken into income over the estimated lifetime of the related capital asset.

8. BREAK OPEN LOTTERY PROCEEDS

The Child Witness Centre of Waterloo Region receives proceeds from a Break Open Lottery site in a local mall. The net proceeds of these lottery sales are restricted to providing the funding for the Child Witness Program. Analysis of the net proceeds is as follows:

	<u>2018</u>	<u>2017</u>
Break Open Lottery sales (gross)	\$ 10,402	\$ 15,323
Break Open Lottery expenses	<u>(4,498)</u>	<u>(8,829)</u>
Break Open Lottery sales (net)	5,904	6,494
Change in deferred contributions	<u>4,410</u>	<u>3,922</u>
Net Break Open Lottery revenue for the period	<u>\$ 10,314</u>	<u>\$ 10,416</u>

Net proceeds are maintained in a trust bank account and are recorded on the balance sheet as deferred contributions. The total amount of Break Open deferred contributions drawn down in the 2017-2018 fiscal year for caseworker wages total \$10,315. The balance of the Break Open account as at March 31, 2018 was \$183.

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

9. GOVERNMENT FUNDING

Government funding was as follows:

	<u>2018</u>	<u>2017</u>
Department of Justice	\$ 201,000	\$ 175,000
Department of Justice - One time funding	-	4,120
Ministry of the Attorney General	165,000	165,000
Region of Waterloo	9,156	9,156
City of Guelph	1,800	1,800
City of Cambridge	1,500	1,600
	<u>\$ 378,456</u>	<u>\$ 356,676</u>

The Department of Justice has approved a grant of \$227,750 in 2017 - 2018 of which \$201,000 was recognized in 2017-2018 fiscal year for the purpose of supporting the Child and Youth Advocacy Centre's startup and operating activities. The final reconciliation on the use of the funds is due in June 2018. The organization does not expect any of the funds will need to be returned to the Department of Justice. Included in accounts receivable at March 31, 2018 is \$122,650 with respect to this grant.

The Child Witness Centre received Child Witness Program funding of \$165,000 from the Ontario Ministry of the Attorney General, in four quarterly payments over the fiscal year 2017-2018. The Ministry has renewed this level of funding for 2018-2019.

Actual expenditures with respect to the Ministry of the Attorney General funding correspond with budget submitted to the Ministry:

	<u>2017-18 Budget</u>	<u>2017-18 Actual</u>
Rent / Lease	\$ 6,000	\$ 6,192
Office Supplies	2,300	2,300
Telecommunications	2,800	2,800
Staff Expenses	5,000	5,161
Audit	2,000	2,000
Bookkeeping	3,000	3,312
Insurance	4,000	3,335
Salaries	139,900	139,900
	<u>\$ 165,000</u>	<u>\$ 165,000</u>

10. UNITED WAY FUNDING

Included in revenues are the following United Way grants:

	<u>2018</u>	<u>2017</u>
United Way of Kitchener-Waterloo Region Communities	\$ 59,622	\$ 69,142
United Way of Guelph Wellington Dufferin	8,750	6,000
	<u>\$ 68,372</u>	<u>\$ 75,142</u>

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

11. CHILD WITNESS CENTRE ENDOWMENT FUND

In December 2004 the agency established the Child Witness Centre Balsillie Endowment Fund with the Kitchener-Waterloo Community Foundation (KWCF). The purpose of the Fund is to encourage donations by those who wish to give a gift which lasts forever in support of the work of the Child Witness Centre.

Donations to the Fund become part of the pool of investments of (and are owned by) KWCF, remain there permanently, and are managed in accordance with the investment policy adopted by KWCF's Investment Committee in consultation with its investment managers and advisors, and approved by its Board of Directors. Earnings available to the Child Witness Centre depend on investment performance and investment management fees, with the amount being appropriate to preserve the capital of the Fund. The agency began receiving investment earnings from the Fund after it reached a value of \$25,000.

The following is a summary of Fund activity for the 2017 and 2016 calendar years:

	<u>2017</u>	<u>2016</u>
January 1st, Opening Balance	\$ 59,526	\$ 58,564
Disbursed to the Child Witness Centre	(2,200)	(2,200)
KWCF Administration Fees	(1,021)	(991)
Investment gain/loss	4,951	4,153
December 31st, Closing Balance	<u>\$ 61,256</u>	<u>\$ 59,526</u>

Donations to the fund may be made directly to the Foundation or to the Child Witness Centre. When an endowment fund donation is sent to the Centre with the cheque made payable to the Child Witness Centre, it must legally be deposited in the Centre's bank account and a subsequent cheque issued by the Centre to the Foundation. Such donations are netted against Individual Donations in the Revenue section of the statement.

12. INTERNALLY RESTRICTED NET ASSETS

Internally restricted assets are restricted for the purpose of funding future capital costs, as well as major unplanned expenditures, related to the organization's property. In fiscal 2018, the Board of Directors approved \$8,029 for roof repairs on the Duke Street Property to be distributed from this Fund.

CHILD WITNESS CENTRE OF WATERLOO REGION

Notes to Financial Statements

Year Ended March 31, 2018

13. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2018.

Liquidity risk

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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investments as outlined in Note 4.

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to these risks as a result of the investments held in Note 4.

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

14. LEASE COMMITMENTS

The organization has entered into a rental agreement and is committed to the following annual minimum payments:

2019	\$	26,884
2020		26,884
2021		13,422
		<hr/>
	\$	<u>67,190</u>

15. COMPARATIVE FIGURES

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