

**KidsAbility Centre for Child
Development
Financial Statements
For the Year Ended March 31, 2019**

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Financial Statements
For the Year Ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
KidsAbility Centre for Child Development

Opinion

We have audited the financial statements of KidsAbility Centre for Child Development (the "Entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Entity 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 opinion.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
June 18, 2019

**KidsAbility Centre for Child Development
Statement of Financial Position**

March 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 1,214,444	\$ 1,575,371
Short-term investments (Note 3)	1,446,681	1,415,213
Accounts receivable (Note 4)	199,632	507,502
Prepaid expenses	261,717	251,637
Current portion of lease deposit	-	93,520
Due from KidsAbility Foundation (Note 5)	58,490	52,764
Current portion of amounts due from KidsAbility School Authority (Note 6)	11,100	11,100
	3,192,064	3,907,107
Due from KidsAbility School Authority (Note 6)	82,325	93,425
Tangible capital assets (Note 7)	7,264,056	7,060,059
	\$10,538,445	\$ 11,060,591

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 9)	\$ 1,457,579	\$ 1,859,093
Due to KidsAbility School Authority (Note 6)	9,963	12,415
Deferred operating contributions (Note 10)	1,188,352	1,361,799
Current portion of deferred capital contributions (Note 11)	755,000	730,000
	3,410,894	3,963,307
Deferred capital contributions (Note 11)	6,889,989	6,745,810
	10,300,883	10,709,117
Net Assets		
Unrestricted	14,009	14,009
Internally restricted (Note 12)	223,553	337,465
	237,562	351,474
	\$10,538,445	\$ 11,060,591

Approved by the Board of Directors:

 Director

 Director

**KidsAbility Centre for Child Development
Statement of Changes in Net Assets**

<u>For the year ended March 31</u>	<u>2019</u>			<u>2018</u>	
	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>Total</u>		<u>Total</u>
Balance, beginning of the year	\$ 14,009	\$ 337,465	\$ 351,474	\$	370,594
Deficiency of revenue over expenses	(113,912)	-	(113,912)	-	(19,120)
Transfer of net assets (Note 12)	113,912	(113,912)	-	-	-
Balance, end of the year	\$ 14,009	\$ 223,553	\$ 237,562	\$	351,474

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

KidsAbility Centre for Child Development Statement of Operations

For the year ended March 31	2019	2018
Revenue		
Ontario Ministry of Children, Community and Social Services	\$ 6,876,329	\$ 6,908,326
Ontario Ministry of Children, Community and Social Services - Preschool Speech and Language	1,529,918	1,596,403
ErinoakKids	4,259,826	3,869,444
School Based Rehabilitation Services program	823,580	-
Municipal and locally funded programs	1,126,180	865,380
Donations (Note 5)	2,044,680	1,973,202
Amortization of deferred capital contributions (Note 11)	755,057	612,902
Other	508,988	973,324
	<u>17,924,558</u>	<u>16,798,981</u>
Expenses		
Ontario Ministry of Children, Community and Social Services programs	8,989,439	8,729,312
Ontario Ministry of Children, Community and Social Services - Preschool Speech and Language program	1,529,918	1,607,767
ErinoakKids program	4,270,884	3,873,356
School Based Rehabilitation Services program	823,580	-
Municipal and locally funded programs	1,134,900	858,922
Expenditures of designated donations	501,007	686,681
Recovery of expenses from KidsAbility School Authority (Note 6)	(286,342)	(260,864)
Amortization of tangible capital assets	755,057	612,902
Other	320,027	710,025
	<u>18,038,470</u>	<u>16,818,101</u>
Deficiency of revenues over expenses	\$ (113,912)	\$ (19,120)

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

KidsAbility Centre for Child Development Statement of Cash Flows

For the year ended March 31	2019	2018
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (113,912)	\$ (19,120)
Items not affecting cash:		
Amortization of tangible capital assets	755,057	612,902
Amortization of deferred capital contributions	(755,057)	(612,902)
Interest on lease deposit	-	(3,512)
	<u>(113,912)</u>	<u>(22,632)</u>
Changes in non-cash working capital:		
Accounts receivable	307,870	(270,070)
Due from KidsAbility Foundation	(5,726)	(2,507)
Lease deposit	93,520	154,630
Prepaid expenses	(10,080)	(142,439)
Accounts payable and accrued liabilities	(401,514)	168,242
Due to KidsAbility School Authority	(2,452)	(17,589)
Deferred contributions	(173,447)	197,608
	<u>(305,741)</u>	<u>65,243</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(959,054)	(2,095,121)
Due from KidsAbility School Authority	11,100	(104,526)
Purchase of short-term investments	(2,040,984)	(1,775,835)
Proceeds on sale of short-term investments	2,009,516	1,745,871
	<u>(979,422)</u>	<u>(2,229,611)</u>
Cash flows from financing activities		
Contributions received for purchase of tangible capital assets	924,236	2,057,275
	<u>924,236</u>	<u>2,057,275</u>
Net decrease in cash	(360,927)	(107,093)
Cash, beginning of the year	<u>1,575,371</u>	<u>1,682,464</u>
Cash, end of the year	\$ 1,214,444	\$ 1,575,371

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

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization	KidsAbility Centre for Child Development ("KidsAbility") empowers children and youth with special needs to realize their full potential. KidsAbility is incorporated without share capital under the laws of the Province of Ontario and is a registered charitable organization. Consequently, it is exempt from income tax. The organization's centres are located in Kitchener-Waterloo, Guelph, Cambridge and Fergus.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").
Revenue Recognition	<p>KidsAbility follows the deferral method of accounting for contributions.</p> <p>Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.</p> <p>Capital contributions are deferred and recognized into revenue in the period in which the related amortization expense is charged.</p> <p>The Board of Directors may designate amounts of otherwise unrestricted net assets to be used for specific purposes. These amounts are classified as internally restricted within net assets.</p> <p>Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted net investment income is recognized as revenue when earned.</p>
Contributed Services	Volunteers contribute many hours per year to assist KidsAbility in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value, when fair value can be reasonably estimated, at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Building	Straight-line	40 years
Building improvements	Straight-line	10 to 15 years
Parking lot	Straight-line	20 years
Playground equipment	Straight-line	10 years
Therapy and office equipment	Straight-line	5 to 10 years
Computer hardware and software	Straight-line	3 years

Leasehold improvements are amortized straight-line over the term of the lease plus renewal option, where applicable.

When a tangible capital asset no longer has any long-term service potential to KidsAbility, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Use of Estimates

The preparation of financial statements in accordance with ASNPO 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 revenue and expenses during the reporting period. Amortization is based on the estimated useful lives of tangible capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Financial Instruments Financial instruments are recorded at fair value at initial recognition. In subsequent periods, equities traded in an active market and derivatives 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 income.

Allocated Expenses Expenses related to general support functions have been included in Ontario Ministry of Children, Community and Social Services program expenses. Compensation expenses involving direct client care are recorded in the programs to which they relate. Program expenses which were funded by designated donations have been reallocated to expenditures of designated donations.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

2. Cash

KidsAbility's bank accounts are held at one chartered bank, earning interest at a nominal rate.

3. Short-term investments

KidsAbility's short-term investments includes the following:

	<u>2019</u>	<u>2018</u>
GICs earning interest ranging from 2.42% to 3.28% per annum, maturing between April 2019 and March 2021 (2018 - interest ranging from 1.56% to 2.43%, maturities between April 2018 and March 2019)	\$ 1,411,310	\$ 1,115,876
Investment cash account, investment at 0.50%	<u>35,371</u>	<u>299,337</u>
	<u>\$ 1,446,681</u>	<u>\$ 1,415,213</u>

4. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Grants and other receivables	\$ 99,058	\$ 272,931
HST rebates	<u>100,574</u>	<u>234,571</u>
	<u>\$ 199,632</u>	<u>\$ 507,502</u>

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

5. KidsAbility Centre for Child Development Foundation

KidsAbility has an economic interest in the KidsAbility Centre for Child Development Foundation ("KidsAbility Foundation"). The primary purpose of KidsAbility Foundation is to raise, maintain and administer the funds of the KidsAbility Foundation in order to support the work of KidsAbility Centre for Child Development.

The accounts of the KidsAbility Foundation have not been consolidated with the accounts of KidsAbility Centre for Child Development. The following represents a summary of the Foundation's financial position and operations as at March 31, 2019.

	2019	2018
Assets	\$14,616,364	\$ 11,231,237
Liabilities	(533,350)	(665,249)
Net Assets	\$14,083,014	\$ 10,565,988
Revenue	\$ 6,700,881	\$ 3,874,382
Expenses, including \$2,607,883 donation to KidsAbility Centre for Child Development (2018 - \$2,755,442)	(3,424,983)	(3,514,051)
Unrealized gain (loss) on investments	241,128	(209,263)
Excess of revenues over expenses	\$ 3,517,026	\$ 151,068

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

5. KidsAbility Centre for Child Development Foundation (continued)

KidsAbility recognized designated donations and unrestricted donation revenue from the KidsAbility Foundation during the year as follows:

	2019	2018
Unrestricted	\$ 1,543,673	\$ 1,286,520
Designated for operations	501,007	686,682
Total donation revenue from KidsAbility Foundation	\$ 2,044,680	\$ 1,973,202

There is a timing difference between when KidsAbility recognizes restricted donations from KidsAbility Foundation as revenue and when KidsAbility Foundation recognizes the expense as follows:

	2019	2018
Donation revenue received from KidsAbility Foundation	\$ 2,044,680	\$ 1,973,202
Changes in deferred contributions on restricted donations received from KidsAbility Foundation	(136,797)	(56,391)
Changes in deferred capital contributions related to capital donations received from KidsAbility Foundation	700,000	838,631
Donation expense of KidsAbility Foundation	\$ 2,607,883	\$ 2,755,442

The amount due from KidsAbility Foundation at March 31, 2019 is \$58,490 (2018 - \$52,764) is interest free with fixed terms of repayment.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

6. KidsAbility School Authority

KidsAbility School Authority ("The School") is a section 68 school, housed within a children's treatment centre and funded by the Ontario Ministry of Education to teach junior kindergarten curriculum to children with severe special needs. The School operates out of KidsAbility premises in Waterloo and Cambridge, giving KidsAbility clinicians the ability to provide services to these children during school hours.

The School pays KidsAbility for its proportionate share of overhead expenses at these sites, and this amount is reflected in "Recovery of expenses from KidsAbility School Authority" in the statement of operations.

Periodically, donations that are intended for The School are received by KidsAbility. Such donations are reflected in the statement of financial position as amounts due to KidsAbility School Authority. The amount owing at year end is \$9,963 (2018 - \$12,415).

KidsAbility has a long-term receivable due from The School for their contribution to the construction of their new space at 887 Langs Drive in Cambridge. The School moved into their new school space in September 2017. As per the agreement between KidsAbility and The School effective September 1, 2017, The School will contribute a total of \$111,000 towards the construction project, payable in equal annual payments of \$11,100 over ten years.

7. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 402,065	\$ -	\$ 402,065	\$ -
Building	6,456,269	3,781,719	6,456,269	3,620,308
Building improvements	1,103,430	384,442	1,085,450	305,662
Leasehold improvements	4,413,961	1,461,824	3,515,174	1,170,533
Parking lot	149,711	145,711	149,711	142,711
Playground equipment	224,428	65,355	182,142	49,850
Therapy and office equipment	1,800,896	1,629,929	1,800,896	1,565,416
Computer hardware and software	1,375,382	1,193,106	1,375,382	1,052,550
	15,926,142	8,662,086	14,967,089	7,907,030
		\$ 7,264,056		\$ 7,060,059

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

8. Operating Loan Facility

KidsAbility has available to it, an operating loan facility of \$400,000, that was unutilized at year end. Interest is calculated at the bank's prime rate. The credit facility is secured by a general security agreement covering all goods, chattels, documents of title, instruments, intangibles, money and securities, and all other investments held currently and in the future.

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$198,336 (2018 - \$354,609).

10. Deferred Operating Contributions

Deferred operating contributions represent unspent externally restricted funds and unrestricted contributions received from KidsAbility Foundation and other organizations in the current year that relate to expenses of a subsequent period. Changes in the deferred contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,361,799	\$ 1,164,191
Contributions received during the year	16,810,064	16,198,560
Contributions recognized into revenue	<u>(16,983,511)</u>	<u>(16,000,952)</u>
Balance, end of year	<u>\$ 1,188,352</u>	<u>\$ 1,361,799</u>

The balance of deferred operating contributions is comprised of:

Externally restricted funds	\$ 833,736	\$ 611,799
Contributions related to subsequent years	<u>354,616</u>	<u>750,000</u>
	<u>\$ 1,188,352</u>	<u>\$ 1,361,799</u>

Externally restricted funds include donations and contributions received for specific operating purposes as designated by the donors and contributors.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

11. Deferred Capital Contributions

Deferred contributions related to tangible capital assets represent the unamortized portion of contributed tangible capital assets and restricted contributions used to purchase tangible capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	2019	2018
Balance, beginning of year	\$ 7,475,810	\$ 6,031,437
Contributions from:		
Ontario Ministry of Children, Community and Social Services	-	603,000
Donations	700,000	838,631
ErinoakKids	181,950	483,222
KidsAbility School	42,286	111,000
Other	-	21,422
	8,400,046	8,088,712
Amortization of deferred capital contributions	(755,057)	(612,902)
Balance, end of year	7,644,989	7,475,810
Less current portion	(755,000)	(730,000)
Long term deferred capital contributions	\$ 6,889,989	\$ 6,745,810

12. Internally Restricted Net Assets

The Board of Directors periodically restricts funds to be used for designated operating purposes. During 2019, the Board made no internal restrictions for future expenditures (2018 - \$nil), and approved an allocation from the internally restricted net assets to unrestricted net assets of \$113,912 (2018 - \$7,530) to fund specified expenditures.

13. Employee Future Benefits

During the year, KidsAbility contributed \$520,708 (2018 - \$493,213) to group retirement plans for employees. Contributions have been recorded as expenses of the respective programs.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

14. Commitments

KidsAbility has entered into various operating leases for its equipment and premises, which require minimum annual lease payments as follows:

2020	\$ 797,449
2021	802,005
2022	737,639
2023	748,777
2024	715,099
Thereafter	<u>2,294,175</u>
	<u>\$ 6,095,144</u>

15. Economic Dependence

Approximately 82% (2018 - 75%) of the organization's revenues are originally funded from government sources, with approximately 52% (2018 - 47%) being received from the Ontario Ministry of Children, Community and Social Services. Therefore, the organization is subject to risk associated with funding initiatives of current and future governments.

16. 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. KidsAbility is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. KidsAbility's financial instruments that are exposed to concentrations of credit risk relate primarily to its cash and short-term investments, accounts receivable and amounts due from KidsAbility Foundation and KidsAbility School Authority. KidsAbility has deposited its cash and short-term investments with a reputable financial institution from which management believes the risk of loss to be remote. The majority of the KidsAbility's receivables are from government sources and the KidsAbility works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

Liquidity risk

Liquidity risk is the risk that KidsAbility will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, KidsAbility will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. KidsAbility is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and commitments.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2019

16. Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. KidsAbility is exposed to interest rate risk on its fixed interest rate financial instruments which subject KidsAbility to a fair value risk.

There have been no changes to these risks from the prior year.
