

KidsAbility Centre for Child
Development
Financial Statements
For the Year Ended March 31, 2023

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Financial Statements
For the Year Ended March 31, 2023

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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, 2023, 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, 2023, and its financial performance and 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 the 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 23, 2023

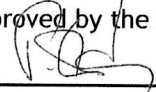
KidsAbility Centre for Child Development Statement of Financial Position

March 31	2023	2022
Assets		
Current		
Cash (Note 2)	\$ 1,408,973	\$ 2,498,244
Short-term investments (Note 3)	5,454,252	5,318,810
Accounts receivable (Note 4)	203,482	273,359
Prepaid expenses	507,422	329,302
Due from KidsAbility Foundation (Note 5)	65,437	54,462
Current portion of amounts due from KidsAbility School Authority (Note 6)	<u>11,100</u>	<u>11,100</u>
	7,650,666	8,485,277
Due from KidsAbility School Authority (Note 6)	37,925	49,025
Tangible capital assets (Note 7)	<u>5,444,043</u>	<u>5,666,591</u>
	\$13,132,634	\$ 14,200,893


Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 8)	\$ 2,238,109	\$ 2,760,147
Due to KidsAbility School Authority (Note 6)	31,985	55,310
Deferred operating contributions (Note 9)	3,331,087	4,023,828
Current portion of deferred capital contributions (Note 10)	<u>586,000</u>	<u>630,000</u>
	6,187,181	7,469,285
Deferred capital contributions (Note 10)	<u>5,219,416</u>	<u>5,503,378</u>
	<u>11,406,597</u>	<u>12,972,663</u>
Net Assets		
Unrestricted	62,484	39,677
Internally restricted	<u>1,663,553</u>	<u>1,188,553</u>
	<u>1,726,037</u>	<u>1,228,230</u>
	\$13,132,634	\$ 14,200,893

Approved by the Board of Directors:



Director



Director

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

For the year ended March 31	2023			2022	
	Unrestricted	Internally Restricted	Total	Total	
Balance, beginning of the year	\$ 39,677	\$ 1,188,553	\$ 1,228,230	\$	733,269
Excess of revenue over expenses	497,807	-	497,807	494,961	
Transfer of net assets (Note 11)	(475,000)	475,000	-	-	
Balance, end of the year	\$ 62,484	\$ 1,663,553	\$ 1,726,037	\$	1,228,230

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	2023	2022
Revenue (Note 13)		
MCCSS - Community Based Rehabilitation Services	\$ 9,188,711	\$ 6,633,031
MCCSS - School Based Rehabilitation Services	5,422,945	3,978,978
MCCSS - Preschool Speech and Language	3,438,206	3,438,206
MCCSS - Autism Services	3,352,177	858,762
ErinoakKids	3,744,775	4,213,455
Municipal and other funded programs	1,776,667	1,628,510
Grants and other (Note 6)	1,314,818	1,210,907
KidsAbility Foundation (Note 5)	722,416	1,977,236
Amortization of deferred capital contributions (Note 10)	649,174	618,547
	29,609,889	24,557,632
Expenses (Schedule 1)		
Salaries and benefits (Note 12)	24,355,608	18,373,972
Building	1,508,628	1,810,819
Technology infrastructure and support	921,058	1,136,509
Amortization of tangible capital assets	649,174	618,547
Professional fees and staff development	590,858	637,538
General and administrative	564,250	506,293
Programs and therapy	522,506	589,034
Contracted services	-	389,959
	29,112,082	24,062,671
Excess of revenues over expenses	\$ 497,807	\$ 494,961

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	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses	\$ 497,807	\$ 494,961
Items not affecting cash:		
Amortization of tangible capital assets	649,174	618,547
Amortization of deferred capital contributions	(649,174)	(618,547)
	497,807	494,961
Changes in non-cash working capital:		
Accounts receivable	69,877	(143,716)
Prepaid expenses	(178,120)	(26,262)
Due from KidsAbility Foundation	(10,975)	8,826
Accounts payable and accrued liabilities	(522,038)	689,345
Due to KidsAbility School Authority	(23,325)	40,375
Deferred operating contributions	(692,741)	2,850,434
	(859,515)	3,913,963
Cash flows from investing activities		
Purchase of tangible capital assets	(426,626)	(240,962)
Repayment from KidsAbility School Authority	11,100	11,100
Purchase of short-term investments	(6,780,467)	(6,062,832)
Proceeds on sale of short-term investments	6,645,025	3,018,506
	(550,968)	(3,274,188)
Cash flows from financing activities		
Contributions received for purchase of tangible capital assets	321,212	448,362
Net (decrease) increase in cash	(1,089,271)	1,088,137
Cash, beginning of the year	2,498,244	1,410,107
Cash, end of the year	\$ 1,408,973	\$ 2,498,244

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

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization	KidsAbility Centre for Child Development ("The Entity") empowers children and youth with special needs to realize their full potential. The Entity 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 Entity's centres are located in the Region of Waterloo and Wellington County.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").
Revenue Recognition	<p>The Entity 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 the Entity 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, 2023

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 the Entity, 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. Actual results may differ from management's best estimates as additional information becomes available in the future. Estimates are included in useful lives of tangible capital assets and amortization of deferred capital contributions.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

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 excess of revenue over expenses. 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.

2. Cash

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

The Entity has available to it, an operating loan facility of \$400,000, that was not in use 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.

KidsAbility Centre for Child Development
Notes to Financial Statements

March 31, 2023

3. Short-term investments

	<u>2023</u>	<u>2022</u>
GICs earning interest ranging from 1.44% to 5.05% per annum, maturing between April 2023 and September 2025 (2022 - interest ranging from .55% to 3.34% per annum, maturing between April 2022 and October 2025)	\$ 4,644,846	\$ 4,412,272
Investment cash and savings account	<u>809,406</u>	<u>906,538</u>
	<u>\$ 5,454,252</u>	<u>\$ 5,318,810</u>

4. Accounts Receivable

	<u>2023</u>	<u>2022</u>
Grants and other	\$ 14,751	\$ 40,033
HST rebates	<u>188,731</u>	<u>233,326</u>
	<u>\$ 203,482</u>	<u>\$ 273,359</u>

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

5. KidsAbility Centre for Child Development Foundation

The Entity has an economic interest in the KidsAbility Centre for Child Development Foundation ("KidsAbility Foundation"), a registered charity. 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 the Entity.

The accounts of the KidsAbility Foundation have not been consolidated with the accounts of the Entity. The following represents a summary of the Foundation's financial position and operations as at March 31, 2023:

	2023	2022
Assets	\$18,649,790	\$ 18,007,877
Liabilities	(132,399)	(96,486)
Net Assets	\$18,517,391	\$ 17,911,391
Revenue	\$ 3,083,998	\$ 3,956,133
Expenses, including \$753,235 donation to the Entity (2022 - \$2,356,547)	(1,714,717)	(3,359,058)
Unrealized loss on investments	(763,281)	(282,617)
Excess of revenues over expenses	\$ 606,000	\$ 314,458

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

5. KidsAbility Centre for Child Development Foundation (continued)

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

	2023	2022
Unrestricted	\$ -	\$ 1,805,746
Designated for operations	722,416	171,490
Total donation revenue from KidsAbility Foundation	\$ 722,416	\$ 1,977,236

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

	2023	2022
Donation revenue received from KidsAbility Foundation	\$ 722,416	\$ 1,977,236
Changes in deferred contributions on restricted donations received from KidsAbility Foundation	(103,410)	15,658
Changes in deferred capital contributions related to restricted capital donations received from KidsAbility Foundation	134,229	363,653
Donation expense of KidsAbility Foundation	\$ 753,235	\$ 2,356,547

The amount due from KidsAbility Foundation at March 31, 2023 is \$65,437 (2022 - \$54,462) is interest free with fixed terms of repayment. In addition, gifts-in-kind of \$15,579 (2022 - \$nil) were received during the year from KidsAbility Foundation.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

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 the Entity's locations in Waterloo and Cambridge, giving the Entity clinicians the ability to provide services to these children during school hours.

The School paid \$312,488 (2022 - \$319,765) to the Entity for its proportionate share of overhead expenses at these sites. This amount is included in grants and other revenue on the statement of operations.

Periodically, donations that are intended for The School are received by the Entity. Such donations are reflected in the statement of financial position as amounts due to KidsAbility School Authority. The amount owing at year end is \$31,985 (2022 - \$55,310).

The Entity 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 the Entity 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

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 402,065	\$ -	\$ 402,065	\$ -
Building	6,456,269	4,427,244	6,456,269	4,265,937
Building improvements	1,298,057	742,695	1,286,000	646,834
Leasehold improvements	4,643,674	2,316,910	4,229,105	1,980,417
Parking lot	149,711	149,711	149,711	149,711
Playground equipment	224,428	138,600	224,428	120,282
Therapy and office equipment	1,612,664	1,573,373	1,762,383	1,697,313
Computer hardware and software	423,261	417,553	447,637	430,513
	<u>15,210,129</u>	<u>9,766,086</u>	<u>14,957,598</u>	<u>9,291,007</u>
		<u>\$ 5,444,043</u>		<u>\$ 5,666,591</u>

KidsAbility Centre for Child Development
Notes to Financial Statements

March 31, 2023

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$381,393 (2022 - \$472,607).

9. 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 operating contributions balance are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 4,023,828	\$ 1,173,394
Contributions received during the year	27,661,155	26,265,708
Contributions recognized into revenue	<u>(28,353,896)</u>	<u>(23,415,274)</u>
Balance, end of year	<u>\$ 3,331,087</u>	<u>\$ 4,023,828</u>

The balance of deferred operating contributions is comprised of:

Externally restricted funds	\$ 2,581,087	\$ 3,273,828
Contributions related to subsequent years	<u>750,000</u>	<u>750,000</u>
	<u>\$ 3,331,087</u>	<u>\$ 4,023,828</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, 2023

10. 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:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 6,133,378	\$ 6,303,563
Contributions from:		
KidsAbility Foundation	134,229	363,653
KidsAbility School	49,791	-
Other	137,192	84,709
	<u>6,454,590</u>	<u>6,751,925</u>
Amortization of deferred capital contributions	(649,174)	(618,547)
Balance, end of year	5,805,416	6,133,378
Less current portion	<u>(586,000)</u>	<u>(630,000)</u>
Long term deferred capital contributions	<u>\$ 5,219,416</u>	<u>\$ 5,503,378</u>

11. Internally Restricted Net Assets

The Board of Directors periodically restricts funds to be used for designated operating purposes. During 2023, the Board made a transfer of \$475,000 for future expenditures (2022 - \$475,000).

12. Employee Future Benefits

During the year, the Entity contributed \$678,804 (2022 - \$545,682) to group retirement plans for employees. Contributions have been recorded in salaries and benefits expense.

13. Economic Dependence

Approximately 91% (2022 - 84%) of the Entity's revenues are originally funded from government sources, with approximately 72% (2022 - 61%) being received from the Ontario Ministry of Children, Community and Social Services ("MCCSS"). Therefore, the Entity is subject to risk associated with funding initiatives of current and future governments.

KidsAbility Centre for Child Development Notes to Financial Statements

March 31, 2023

14. Commitments

The Entity has entered into various operating leases for its equipment and premises, which require minimum annual lease payments for the next five years as follows:

2024	\$ 1,060,998
2025	1,249,851
2026	1,238,007
2027	1,237,174
2028	<u>901,380</u>
	<u>\$ 5,687,410</u>

15. 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 Entity 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. The Entity'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. Management believes the risk of loss from each of these counterparties to be remote.

Liquidity risk

Liquidity risk is the risk that The Entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, The Entity 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. The Entity is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and commitments.

The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

KidsAbility Centre for Child Development
Notes to Financial Statements

March 31, 2023

15. 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. The Entity is exposed to interest rate risk on its fixed interest rate short term instruments which subject The Entity to a fair value risk.

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

KidsAbility Centre for Child Development
Schedule 1 - Schedule of Expenses by Program

For the year ended March 31	2023	2022
Expenses		
Community Based Rehabilitation Services programs	\$10,488,151	\$ 9,053,440
School Based Rehabilitation Services programs	5,428,646	3,978,978
Preschool Speech and Language programs	3,439,881	3,438,206
MCCSS autism programs	3,356,977	858,762
ErinoakKids programs	3,782,844	4,305,739
Municipal and other funded programs	1,803,504	1,651,059
Amortization of tangible capital assets	649,174	618,547
Other	162,905	157,940
	<hr/> \$29,112,082	<hr/> \$ 24,062,671

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