

Financial Statements of

**FAMILY AND CHILDREN'S SERVICES
OF THE WATERLOO
REGION FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Family and Children's Services of the Waterloo Region Foundation

Qualified Opinion

We have audited the financial statements of Family and Children's Services of the Waterloo Region Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statements of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" paragraph the accompanying financial statements, present fairly, in all material respects, the financial position of Family and Children's Services of the Waterloo Region Foundation as at March 31, 2019, and its results of operations and its cash flows for the year then ended, is in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, Family and Children's Services of the Waterloo Region Foundation derives revenue from donations, 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 Family and Children's Services of the Waterloo Region Foundation.



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Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position for the year ended March 31, 2019
- the donations revenue and excess of revenue over expenditures reported in the statement of changes in non-operating fund balances,
- the excess of revenue over expenses reported in the statement of cash flows

Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.



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Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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. .
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

June 13, 2019

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION


Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Cash	\$ 31,495	\$ 309,505
Accounts receivable (note 2)	1,253	2,765
Investments (note 3)	1,301,184	1,487,822
	<u>\$ 1,333,932</u>	<u>\$ 1,800,092</u>
Liabilities and Fund Balances		
Accounts payable	\$ 11,500	\$ 12,478
Fund balances:		
Heal Fund	338,053	297,590
Learn Fund	594,729	576,547
Grow Fund	389,650	913,477
	<u>1,322,432</u>	<u>1,787,614</u>
	<u>\$ 1,333,932</u>	<u>\$ 1,800,092</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Statement of Operations and Changes in Operating Fund Balance

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Change in fair value of investments	\$ (39,566)	\$ 16,317
Interest and dividends	93,317	47,774
	53,751	64,091
Expenditures:		
Office and administration	64,992	33,254
Investment management fees	16,692	16,710
Professional fees	7,000	6,780
	88,684	56,744
Excess of revenue over expenditures	(34,933)	7,347
Transfer from/to Grow Fund	41,324	(1,267)
Transfer to Learn Fund	(6,391)	(6,080)
Balance, end of year	\$ -	\$ -

See accompanying notes to financial statements.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Statement of Operations and Changes in Non-Operating Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	Heal Fund	Learn Fund	Grow Fund	Building Fund	Total 2019	Total 2018
Revenue:						
Receipt gifts	\$ 2,850	\$ 82,917	\$ 184,340	\$ -	\$ 270,107	\$ 380,188
No receipt gifts	629,894	27,275	208,979	-	866,148	721,275
Transfer from operations	-	6,391	(41,324)	-	(34,933)	7,347
	632,744	116,583	351,995	-	1,101,322	1,108,810
Expenditures: (note 4)						
Grants	917,601	9,475	550,502	-	1,477,578	1,152,584
Scholarships	-	88,926	-	-	88,926	82,744
Transfer to Agency Capital Fund	-	-	-	-	-	19,900
	917,601	98,401	550,502	-	1,566,504	1,255,228
Excess (deficiency) of revenue over expenditures	(284,857)	18,182	(198,507)	-	(465,182)	(146,418)
Fund balances, beginning of year (notes 1(a))	297,590	576,547	913,477	-	1,787,614	1,934,032
Interfund transfers (Note 6)	325,320	-	(325,320)	-	-	-
Fund balances, end of year	\$ 338,053	\$ 594,729	\$ 389,650	\$ -	\$ 1,322,432	\$ 1,787,614

See accompanying notes to financial statements.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures:		
Heal Fund	\$ (284,857)	\$ (95,339)
Learn Fund	18,182	109,044
Grow Fund	(198,507)	(160,123)
Building Fund		-
Items not involving cash		
Change in fair value of investments	39,566	(16,317)
Changes in non-cash assets and liabilities:		
Accounts receivable	1,512	1,825
Accounts payable	(978)	(27,539)
	(425,082)	(188,449)
Investments:		
Purchasing of investments	(354,430)	(307,712)
Redemption of investments	501,502	279,977
	147,072	(27,735)
Decrease in cash	(278,010)	(216,184)
Cash, beginning of year	309,505	525,689
Cash, end of year	\$ 31,495	\$ 309,505

See accompanying notes to financial statements.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

Family and Children's Services of the Waterloo Region Foundation (the "Foundation") is a public foundation registered under the Income Tax Act (Canada) and incorporated without share capital under the laws of the Province of Ontario.

1. Significant accounting policies:

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The Foundation's significant accounting policies are as follows:

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. The purpose of the funds are as follows:

- (i) Operating Fund reflects the activities related to unrestricted investment income and operating expenses of the Foundation.
- (ii) Heal Fund reflects the activities of community donations to provide therapeutic supports and services to children and families served by the Agency.
- (iii) Learn Fund reflects the activities related to donations received, and scholarships and educational supports provided to youth to pursue post secondary opportunities.
- (iv) Grow Fund reflects the activities of all community donations and grants from the Foundation to the Agency in areas of culture, art, sports, and other unique needs and interests.
- (v) Building Fund reflects the activities related to donations received for The Family Centre building project capital campaign.

(b) Revenue recognition:

Restricted and 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. Investment income is recorded on an accrual basis.

(c) Contributed goods and services:

The value of goods and services contributed to the Foundation is not reflected in these financial statements because of the difficulty in determining the fair value.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

2. Accounts receivable:

No allowance for impairment of accounts receivable has been recorded (2018 - \$nil).

3. Investments:

Fair value of investments are as follows:

	2019 Fair value	2019 Cost	2018 Fair value	2018 Cost
Canadian Equity	\$ 523,637	\$ 448,043	\$ 527,926	\$ 407,036
US Equity	111,958	56,178	114,154	62,062
International Equity	98,283	74,415	116,826	84,116
Fixed Income	419,327	423,777	575,571	588,838
Preferred Shares	41,600	41,660	29,524	29,587
Rae Lipskie Partners pooled	-	-	123,821	121,462
Foreign Equity	106,379	101,956	-	-
	<u>\$ 1,301,184</u>	<u>\$ 1,146,029</u>	<u>\$ 1,487,822</u>	<u>\$ 1,293,101</u>

The change in unrealized gain/loss on investments during the year is a loss of \$39,566 (2018 - gain of \$16,317).

4. Grants:

The following payments and transfers were made to the Agency in the year ended March 31:

	2019	2018
Grants	\$ 1,477,578	\$ 1,152,584
Scholarships	88,926	82,744
Transfer to Agency Capital Fund	-	19,900
	<u>\$ 1,566,504</u>	<u>\$ 1,255,228</u>

5. Donated goods and services:

The Foundation received and receipted donated goods totaling \$52,804 (2018 - \$57,606) which have not been reflected in these financial statements.

FAMILY AND CHILDREN'S SERVICES OF THE WATERLOO REGION FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

6. Interfund transfers

During the year, the Board of Directors authorized a transfer of \$325,320 from the Grow Fund to the Heal Fund.

7. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to the accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.