
Financial statements of Kids Help Phone

December 31, 2017

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Independent Auditor's Report

To the Members of
Kids Help Phone

We have audited the accompanying financial statements of Kids Help Phone, which comprise the statement of financial position as at December 31, 2017, and the statements of revenue and expenses, changes in fund balances and of cash flows 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Kids Help Phone derives the majority of its revenues from the general public in the form of revenue from events and general donations and grants, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Kids Help Phone. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from events and general donations and grants, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and fund balances as at December 31 and January 1 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because of the possible effects of this scope limitation.

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 Kids Help Phone as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 23, 2018

Kids Help Phone

Statement of financial position

As at December 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash		2,362,804	436,018
Short-term investments	4a	2,042,060	2,551,669
Accounts receivable		538,482	319,462
Prepaid expenses and other		125,246	131,197
		5,068,592	3,438,346
Restricted cash and investments			
Kyra Field Memorial Fund	4b	38,934	42,701
Reserve Fund		3,000,000	2,788,695
		3,038,934	2,831,396
Capital assets			
	5	429,507	443,025
		8,537,033	6,712,767
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	841,092	636,230
Deferred revenue	6	1,542,406	892,800
Obligation under capital leases - current	7	—	36,154
		2,383,498	1,565,184
Deferred capital contributions			
	8	11,008	18,326
		2,394,506	1,583,510
Fund balances			
Operating Fund			
General	3	2,685,094	2,098,005
Invested in capital assets		418,499	388,545
Reserve Fund		3,000,000	2,600,006
Externally restricted funds		38,934	42,701
		6,142,527	5,129,257
		8,537,033	6,712,767

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



Chair of the Board



Treasurer

Kids Help Phone

Statement of revenue and expenses

Year ended December 31, 2017

	2017	2016
	\$	\$
Revenue		
Operating fund		
Events	6,260,125	5,782,212
General donations and grants	5,290,213	5,884,630
Government grants		
Kids Help Phone programs	2,310,420	1,470,528
Good2Talk program	3,851,571	3,146,823
Investment income	45,435	51,527
Other	57,610	48,290
Restricted fund - Kyra Field Memorial		
General donations and grants	216	72
Investment income	163	211
	17,815,753	16,384,293
Expenses		
Operating fund		
Service delivery costs - Kids Help Phone		
Kids Help Phone (Schedule A)	7,018,115	7,443,707
Volunteer engagement (Schedule A)	293,847	209,168
Service delivery costs - Good2Talk (Schedule A)	3,851,571	3,146,823
Direct fundraising (Schedule A)	4,091,330	4,152,114
General and administrative (Schedule A)	1,328,535	1,352,028
Amortization of capital assets	219,079	201,212
Restricted fund - Kyra Field Memorial		
General and administrative	6	7
	16,802,483	16,505,059
Excess (deficiency) of revenue over expenses	1,013,270	(120,766)

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

Kids Help Phone

Statement of changes in fund balances

Year ended December 31, 2017

Notes	2017					2016
	Operating Funds			Externally Restricted Fund		
	General	Capital assets	Reserve	Kyra Field Memorial	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	2,098,005	388,545	2,600,006	42,701	5,129,257	5,250,023
Excess (deficiency) of revenue over expenses	1,241,985	(229,088)	—	373	1,013,270	(120,766)
Interfund transfer	(395,854)	—	399,994	(4,140)	—	—
Purchases of capital assets	(222,888)	222,888	—	—	—	—
Capital lease obligations	(36,154)	36,154	—	—	—	—
Fund balances, end of year	2,685,094	418,499	3,000,000	38,934	6,142,527	5,129,257

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

Kids Help Phone

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	1,013,270	(120,766)
Items not affecting cash		
Amortization of capital assets	219,079	201,212
Loss on disposal of capital assets	17,327	—
Amortization of deferred capital contributions	(7,318)	(5,135)
Unrealized gain on investments	9,090	3,133
	1,251,448	78,444
Changes in non-cash working capital items		
Accounts receivable	(219,020)	5,226
Prepaid expenses and other	5,951	(22,370)
Accounts payable and accrued liabilities	204,862	(820,608)
Deferred revenue	649,606	(552,771)
	1,892,847	(1,312,079)
Investing activities		
Decrease in short-term investments	509,609	757,390
Purchases of capital assets	(222,888)	(17,327)
Increase in restricted cash and investments	(216,628)	(42,361)
	70,093	697,702
Financing activity		
Payment under capital lease obligations	(36,154)	(45,994)
Net increase (decrease) in cash	1,926,786	(660,371)
Cash, beginning of year	436,018	1,096,389
Cash, end of year	2,362,804	436,018
Supplemental cash flows information		
Cash interest paid	—	48

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

Kids Help Phone

Notes to the financial statements

December 31, 2017

1. Description of the organization

Kids Help Phone (the "Organization") was incorporated under the Canada Corporations Act and continued under the Canadian Not-for-Profit Corporations Act on October 1, 2013.

The mandate of Kids Help Phone is to provide anonymous and confidential professional counseling, referrals and information in English and French, through technologically-based communications media for children and youth in Canada.

Kids Help Phone is a registered charity under the Income Tax Act and, as such, is not subject to income tax provided certain disbursement requirements are met.

2. Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations published by Chartered Professional Accountants of Canada ("CPA Canada"), using the restricted fund method of reporting restricted contributions.

Revenue recognition

Corporate revenue is recorded in the year to which it relates if collection is reasonably assured. Donations revenue is recorded when received. Revenue relating to special events or programs which have not yet occurred is recorded as deferred revenue and recognized as revenue in the year the events occur or program expenses are incurred. Government grants are recognized as revenue in the period to which the revenue relates and as the related expenses are incurred. Investment income is recorded when earned.

Contributed goods and services

Donors contribute gifts in kind for use in special fundraising events, which are recognized at their fair market value when such value can be reasonably estimated. Donated property and equipment are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are recorded at fair value when fair value can be reasonably estimated and when the materials and services are normally purchased by the Organization and would be paid for if not donated. Receipted gifts-in-kind are recognized as revenue and expenses when received.

Deferred capital contributions

Funds received related to capital assets are recorded as deferred capital grants and amortized at the same rate as the related capital asset.

2. Significant accounting policies (continued)*Financial instruments*

Under Section 3856 of the CPA Canada Handbook, all financial instruments included on the statement of financial position are measured either at fair value or amortized cost based on the characteristics of the instrument and the Organization's accounting policy choices. All financial instruments reported on the consolidated statement of financial position are classified as follows:

Asset/liability	Category
Cash	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Restricted cash and investments	Fair value
Accounts payable and accrued liabilities	Amortized cost

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, with the exception of cash, short-term and restricted investments which are measured at fair value. Changes in fair value are recorded in the statement of revenue and expenses.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of revenue and expenses.

Transaction costs are expensed as they are incurred.

Pledges

Pledges received are recorded as revenue in the financial statements if the amounts can be reasonably estimated and collection is reasonably assured.

Capital assets

Office furniture and equipment and computers are capitalized on acquisition and are amortized on the straight-line basis over their average useful lives, which has been estimated at three years for computers and ten years for office furniture and equipment. Assets held under capital lease are amortized over the lease term. Leasehold improvements are amortized over the remaining lease term.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Amounts requiring estimates and assumptions include certain accrued liabilities, deferred capital contributions, deferred revenue and amortization of capital assets.

Allocation of expenses

Kids Help Phone allocates the cost of salaries and benefits and rental expenses based on the percentage of time assigned to each program.

3. Funds

Operating Fund

The general portion of the Kids Help Phone Operating Fund (the "Operating Fund") records the day-to-day operations of the Organization.

The capital assets portion of the Operating Fund records the cost of capital assets acquired less accumulated amortization, the unamortized portion of deferred capital contributions and the outstanding obligations on capital leases.

Reserve Fund

The Reserve Fund represents funds restricted by the Board of Directors to offset potential operating shortfalls of the Organization. The interest earned on this fund is recorded in the general portion of the Operating Fund.

Externally Restricted Funds

The Kyra Field Memorial Fund records donations made in memory of Kyra Field, and related interest income. The fund is to be used for the development and training of professional counsellors.

4. Investments

a) *Short-term investments are comprised of the following:*

	2017		
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificates	1,041,371	0.65	Redeemable
Guaranteed Investment Certificates	500,558	0.55	Redeemable
Guaranteed Investment Certificates	500,131	0.80	Redeemable
	2,042,060		
	2016		
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificates	1,033,675	0.75	Redeemable
Guaranteed Investment Certificates	516,966	0.70	Redeemable
Guaranteed Investment Certificates	500,543	0.60	Redeemable
Guaranteed Investment Certificates	500,485	0.65	Redeemable
	2,551,669		

4. Investments (continued)

b) *Restricted cash and investments are comprised of the following:*

	2017		
	Fair value	Interest rate	Due date
	\$	%	
Kyra Field Memorial Fund			
Cash	38,934	n.a.	n.a.
Reserve Fund			
Cash	667,973	n.a.	n.a.
Ontario Savings Bond 2013 Series	432,156	2.25%	21-Jun-18
Ontario Savings Bond 2014 Series	530,890	2.25%	21-Jun-19
BMO step up deposit notes Ext 2023	241,448	1.75%	16-Jun-23
BMO step up deposit notes Ext 2023	291,450	1.75%	22-Mar-24
Manulife Bank of Canada GIC	214,456	2.40%	22-Jan-20
Canadian Western Bank GIC	152,204	1.77%	5-Mar-18
National Bank of Canada GIC	152,254	1.81%	4-Mar-19
National Bank of Canada GIC	152,441	1.96%	3-Mar-20
Royal Bank of Canada GIC	152,677	2.15%	3-Mar-21
Covington	338	n.a.	n.a.
Bank of Nova Scotia	730	n.a.	n.a.
Royal Bank of Canada	10,983	n.a.	n.a.
	3,000,000		
	3,038,934		

4. Investments (continued)

b) *Restricted cash and investments are comprised of the following: (continued)*

	2016		
	Fair value	Interest rate	Due date
	\$	%	
Kyra Field Memorial Fund			
Cash	42,701	n.a.	n.a.
Reserve fund			
Cash	304,277	n.a.	n.a.
BMO Step Up deposits 2023	241,938	1.75%	16-Jun-23
Manulife CDA	209,429	2.40%	22-Jan-20
Covington	389	n.a.	n.a.
Bank of Montreal GIC	151,756	1.41%	3-Mar-17
Canadian Western Bank GIC	152,204	1.77%	5-Mar-18
National Bank of CDA GIC	152,441	1.81%	4-Mar-19
National Bank of CDA GIC	152,254	1.96%	3-Mar-20
Royal Bank of CDA GIC	152,677	2.15%	3-Mar-21
Ontario Savings Bond series 2012	324,894	2.25%	21-Jun-17
Ontario Savings Bond series 2013	424,572	2.00%	21-Jun-18
Ontario Savings Bond series 2014	521,865	2.00%	21-Jun-19
	<u>2,788,695</u>		
	<u>2,831,396</u>		

5. Capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	352,239	166,953	185,286	215,682
Computers	891,424	684,688	206,736	123,501
Leasehold improvements	784,858	747,373	37,485	67,688
Assets held under capital leases	—	—	—	36,154
	<u>2,028,521</u>	<u>1,599,014</u>	<u>429,507</u>	<u>443,025</u>

6. Deferred revenue

	2017	2016
	\$	\$
Balance, beginning of year	892,800	1,445,571
Donations and grants received / receivable for sepcial events and programs	8,385,855	5,833,774
Recognized in revenue	(7,736,249)	(6,386,544)
Balance, end of year	1,542,406	892,800

Deferred revenue is comprised of amounts relating to the following:

	2017	2016
	\$	\$
Government	592,302	701,238
Foundations	204,292	68,689
Corporations	681,113	25,000
Events	64,699	97,873
	1,542,406	892,800

7. Obligation under capital leases

The future minimum lease payments required under the capital lease agreements are as follows:

	2017	2016
	\$	\$
Total minimum lease payments	—	36,154
Amount representing interest	—	—
	—	36,154
Less: current portion	—	(36,154)
Long-term portion	—	—

Interest expense related to these leases was nil (\$48 in 2016).

8. Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	18,326	23,461
Amortization of deferred capital contributions	(7,318)	(5,135)
Balance, end of year	11,008	18,326

9. Contingencies and guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees are as follows:

- a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- b) An indemnity has been provided to all directors and/or officers of the Organization for various items including, but not limited, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.
- c) In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

10. Lease commitments

The Organization is committed to the following annual lease payments for office space in the years ending December 31:

	\$
2018	936,744
2019	1,105,471
2020	718,344
2021	97,787
2022	24,447
Beyond	—
	<u>2,882,793</u>

11. Related party transactions

In the normal course of business, from time to time, the Organization enters into transactions with entities which are related to the Organization by virtue of their representation on the Board of Directors. Such transactions are for goods and services and can often be less than fair market value and are often donated. These goods and services are appropriately recorded in the financial statements at cost or at fair market value, if appropriate and determinable.

The Organization has a policy which governs transactions with volunteers and staff and conflicts of interest. These transactions were in compliance with the policy. In 2017 the Organization paid/accrued for the following services from related parties:

	2017	2016
	\$	\$
Telecommunication services from Bell Canada	420,631	642,848
Legal services from Osler, Hoskin & Harcourt LLP	3,320	166,630
Banking services from BMO Bank of Montreal	25,959	21,823
Courier services from Purolator Inc.	18,480	19,778
Facebook	1,291	1,840
Cisco Systems	—	47,167

In addition, in 2017, the Organization also recognized \$202,130 (\$251,263 in 2016) of contributed legal services from Osler, Hoskin & Harcourt; and \$163,260 (\$95,364 in 2016) of contributed materials in relation to the donation of AirMiles from LoyaltyOne.

12. Externally restricted funds

The Organization manages externally restricted funds of \$38,934 (\$42,701 in 2016) with conditions stipulated in donor agreements concerning the use of the funds and related income. The Organization has complied with the requirements of these restricted funds.

13. Credit facilities

The Organization has an operating line of credit to a maximum of \$100,000. This credit facility bears interest at Prime plus 1.25% and, as at December 31, 2017 and 2016, there was nil in borrowings under this credit facility.

14. Allocation of expenses

The amount of salaries, benefits and rent that has been allocated to the various programs is as shown on Schedule A - Schedule of expenses.

15. Fair values and risk management

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Short-term investments are recorded at cost plus accrued income, which approximates fair value.

Restricted investments other than cash are recorded at fair value which is the market value as of December 31.

15. Fair values and risk management (continued)

Interest rate risk

The Organization is exposed to interest rate risk on its investments. The Organization does not use any hedging instruments to manage this risk.

Credit rate risk

The Organization's credit risk is primarily attributable to its accounts receivables. The Organization manages this risk through proactive collection policies.

16. Government remittances

Included in accounts payable and accrued liabilities is an amount of \$19,190 (\$18,610 in 2016) representing amounts due to the government relating to payroll and commodity taxes.

17. Interfund transfers

For the year ended December 31, 2017, there was an approved transfer of \$4,140 (\$4,200 in 2016) made from the Externally Restricted Funds to the Operating Fund to support counsellor training activities.

In addition, the Board of Directors approved a transfer of \$399,994 (\$Nil in 2016) from the Operating Fund to the Reserve Fund.

Kids Help Phone

Schedule A - Schedule of expenses

Year ended December 31, 2017

	2017	2016
	\$	\$
Kids Help Phone service delivery		
Salaries and employee benefits	4,904,670	5,446,916
Kid's website	337,474	340,684
Telecommunications	199,291	277,186
Youth marketing	368,304	356,025
Rent	399,021	366,142
General and office	365,467	266,095
Insurance	35,543	27,342
Professional fees	408,345	363,317
	7,018,115	7,443,707
Kids Help Phone volunteer engagement		
Salaries and employee benefits	238,272	199,847
General and office	53,370	3,079
Training	1,928	6,104
Travel	277	138
	293,847	209,168
Good2Talk service delivery		
Salaries and employee benefits	2,428,241	2,155,539
Marketing	553,312	251,880
Partnership service agreement	534,695	468,260
Office and general	131,319	127,022
Rent	113,066	110,173
Professional fees	37,229	9,187
Telecommunications	53,709	24,762
	3,851,571	3,146,823
Direct fundraising		
Salaries and employee benefits	1,856,134	1,833,863
Events	937,736	965,290
General and office	221,456	205,554
Rent	284,694	275,818
Fundraising campaigns	437,180	493,022
Prospect development	132,373	95,013
Telecommunications	96,318	94,637
Donor marketing	19,766	34,089
Travel	39,608	38,794
Professional fees	26,046	65,459
Insurance	9,996	8,059
Corporate promotions and sponsorship	30,023	42,516
	4,091,330	4,152,114
General and administrative		
Salaries and employee benefits	921,804	923,931
Professional fees	94,474	184,791
Bank charges	30,550	48,937
General and office	182,829	116,332
Rent	81,011	59,645
Insurance	10,631	8,097
Telephone	7,236	10,302
	1,328,535	1,352,035