

360kids Support Services

Financial Statements

March 31, 2016

August 17, 2016

Independent Auditor's Report

To the Members of 360kids Support Services

We have audited the accompanying financial statements of 360kids Support Services, which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in fund balances, and 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.

Independent Auditor's Report (continued)

Basis for Qualified Opinion

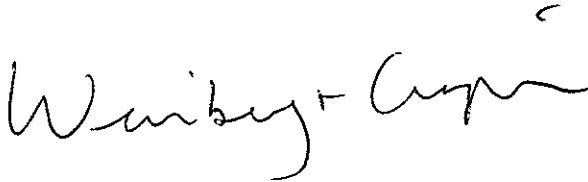
In common with many charitable organizations, 360kids Support derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues from fundraising and donations, excess of revenue over expenditures for the years ended March 31, 2016 and March 31, 2015, current assets and fund balances as at March 31, 2016, March 31, 2015 and April 1, 2014.

Qualified Opinion

In our opinion except for the 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 360kids Support Services as at March 31, 2016, 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.

Report on Other Legal and Regulatory Requirements

As required by the Ontario Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the prior year.



Chartered Accountants LLP
Licensed Public Accountants

Toronto, Ontario, Canada

360kids Support Services

Statement of Financial Position As at March 31

	Unrestricted Fund		Restricted Fund		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets						
Cash and cash equivalents	\$ 696,278	\$ 307,872	\$ 43,392	\$ 40,842	\$ 739,670	\$ 348,714
Short term investments (Note 2)	168,892	117,331	-	-	168,892	117,331
Accounts receivable and sundry	100,108	64,965	373,740	138,593	473,848	203,558
Due (to) from funds (Note 3)	<u>(446,391)</u>	<u>(200,125)</u>	<u>446,391</u>	<u>200,125</u>	-	-
	518,887	290,043	863,523	379,560	1,382,410	669,603
Long term investments	-	42,641	-	-	-	42,641
Capital assets (Note 4)	<u>46,439</u>	<u>15,169</u>	<u>544,967</u>	<u>517,835</u>	<u>591,406</u>	<u>533,004</u>
	<u>\$ 565,326</u>	<u>\$ 347,853</u>	<u>\$ 1,408,490</u>	<u>\$ 897,395</u>	<u>\$ 1,973,816</u>	<u>\$ 1,245,248</u>
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities (Note 5)	\$ 294,518	\$ 195,756	\$ 34,413	\$ 16,807	\$ 328,931	\$ 212,563
Current portion of mortgage payable (Note 6)	-	-	<u>29,015</u>	<u>28,326</u>	<u>29,015</u>	<u>28,326</u>
Mortgage payable (Note 6)	294,518	195,756	63,428	45,133	357,946	240,889
	-	-	<u>209,457</u>	<u>238,472</u>	<u>209,457</u>	<u>238,472</u>
Fund balances (Note 7)	294,518	195,756	272,885	283,605	567,403	479,361
	<u>270,808</u>	<u>152,097</u>	<u>1,135,605</u>	<u>613,790</u>	<u>1,406,413</u>	<u>765,887</u>
Lease commitments (Note 10)	\$ 565,326	\$ 347,853	\$ 1,408,490	\$ 897,395	\$ 1,973,816	\$ 1,245,248
On behalf of the Board		Director				Director

360kids Support Services

Statement of Operations and Changes in Fund Balances Year ended March 31

	Unrestricted Fund		Restricted Fund		Total
	2016	2015	2016	2015	2016
Revenue					
Grants and subsidies (Note 8)	\$ -	\$ 3,359	\$ 3,621,818	\$ 3,235,925	\$ 3,621,818
Fundraising and donations (Note 12)	414,590	359,831	684,933	238,242	1,099,523
Interest and other income	<u>6,890</u>	<u>26,071</u>	<u>48,963</u>	<u>30,752</u>	<u>55,853</u>
	421,480	389,261	4,355,714	3,504,919	4,777,194
Expenditures					
Salaries and employee benefits	190,446	191,020	2,683,870	2,632,056	2,874,316
Other program costs	29,037	15,750	493,062	482,126	522,099
General and administration	35,583	80,914	325,737	161,505	361,320
Building occupancy costs	41,613	38,374	280,894	205,127	322,507
Amortization of capital assets	6,090	2,345	44,285	37,835	50,375
Mortgage interest	-	-	<u>6,051</u>	<u>7,614</u>	<u>6,051</u>
	<u>302,769</u>	<u>328,403</u>	<u>3,833,899</u>	<u>3,476,263</u>	<u>4,136,668</u>
Excess of revenue over expenditures for the year	118,711	60,858	521,815	28,656	640,526
Fund balances, beginning of year	<u>152,097</u>	<u>91,239</u>	<u>613,790</u>	<u>585,134</u>	<u>765,887</u>
Fund balances, end of year	<u>\$ 270,808</u>	<u>\$ 152,097</u>	<u>\$ 1,134,971</u>	<u>\$ 613,790</u>	<u>\$ 1,405,779</u>
					<u>\$ 3,804,666</u>
					<u>3,894,180</u>
					<u>2,823,076</u>
					<u>447,876</u>
					<u>242,419</u>
					<u>243,501</u>
					<u>40,180</u>
					<u>7,614</u>
					<u>89,514</u>
					<u>676,373</u>
					<u>765,887</u>
					<u>765,887</u>

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Statement of Cash Flows Year ended March 31

	Unrestricted Fund		Restricted Fund		Total	
	2016	2015	2016	2015	2016	2015
Cash flows from operating activities						
Excess of revenue over expenditures	\$ 118,711	\$ 60,858	\$ 521,185	\$ 28,656	\$ 640,526	\$ 89,514
Items not affecting cash:						
Amortization of capital assets	<u>6,090</u>	<u>2,345</u>	<u>44,285</u>	<u>37,835</u>	<u>50,375</u>	<u>40,180</u>
	124,801	63,203	566,100	66,491	690,901	129,694
Changes in non-cash working capital						
Accounts receivable and sundry	(35,143)	(10,265)	(235,147)	98,387	(270,290)	88,122
Due from (to) funds	246,266	123,614	(246,266)	(123,614)	-	-
Accounts payable and accrued liabilities	<u>98,762</u>	<u>(104,515)</u>	<u>17,606</u>	<u>(7,122)</u>	<u>116,368</u>	<u>(111,637)</u>
Net cash from operating activities	<u>434,686</u>	<u>72,037</u>	<u>102,293</u>	<u>34,142</u>	<u>536,979</u>	<u>106,179</u>
Cash flows from investing activities						
Short term investments	(51,561)	(27,281)	-	-	(51,561)	(27,281)
Long term investments	42,641	51,492	-	-	42,641	51,492
Purchase capital assets	<u>(37,360)</u>	<u>(15,000)</u>	<u>(71,417)</u>	-	<u>(108,777)</u>	<u>(15,000)</u>
Net cash from investing activities	<u>(46,280)</u>	<u>9,211</u>	<u>(71,417)</u>	-	<u>(117,697)</u>	<u>9,211</u>
Cash flows from financing activity						
Repayment of mortgage payable	-	-	(28,326)	(27,170)	(28,326)	(27,170)
Net increase in cash and cash equivalents	388,406	81,248	2,550	6,972	390,956	88,220
Cash and cash equivalents, beginning of year	<u>307,872</u>	<u>226,624</u>	<u>40,842</u>	<u>33,870</u>	<u>348,714</u>	<u>260,494</u>
Cash and cash equivalents, end of year	\$ <u>696,278</u>	\$ <u>307,872</u>	\$ <u>43,392</u>	\$ <u>40,842</u>	\$ <u>739,670</u>	\$ <u>348,714</u>

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Notes to Financial Statements

March 31, 2016

Organization

360kids Support Services (360kids) is a community-based organization responding to the needs of children, youth and families through intervention, education and advocacy to enhance health, self-esteem and well-being. 360kids' mission is to help isolated and vulnerable children, youth and families in our community, to overcome adversity and crisis and to move to a state of safety, stability and well-being.

360kids is incorporated by letters patent under the Ontario Corporations Act as a corporation without share capital. 360kids is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes. 360kids must meet certain requirements under the Income Tax Act (Canada). In the opinion of management these requirements have been met.

1. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, accordingly, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of the financial statements 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 income and expenditures during the reported period. Primary components of these financial statements which include estimates are: accounts receivable and sundry, with respect to collection; capital assets with respect to useful life and amortization; and accounts payable and accrued liabilities with respect to amount accrued. Actual results could differ from management's best estimates as additional information becomes available in the future.

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March 31, 2016

1. Summary of significant accounting policies (*continued*)

Financial instruments

360kids initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/Liability</u>	<u>Measurement</u>
Cash and cash equivalents	Fair value
Short term investments	Fair value
Long term investments	Fair value
Accounts receivable and sundry	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Mortgage payable	Amortized cost

Financial assets and liabilities measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss will be recognized in the statement of operations for the period.

360kids recognizes its transaction costs in net income in the period incurred.

Fund accounting

The Unrestricted fund accounts for 360kids' administrative activities. This fund reports unrestricted resources in excess of the operating requirements.

The Restricted fund reports the use of restricted resources as follows:

The Restricted Capital Assets fund reports the assets and liabilities, revenues and expenses related to the restricted program capital assets.

The Externally Restricted fund accounts for 360kids' program activities where the grantor or donor has specified restrictions as to the use of the funds. These programs include two residential homes for youth, two transitional housing apartments, a youth drop-in center, family resource centers, after school programming with a focus on healthy/active lifestyle and after school employment programs for youth. Other agency initiatives include youth outreach, family and individual counselling, employment coaching, capital campaigns and recreational opportunities.

The Capital Reserve fund reports accumulated resources specifically designated by the grantor for the repair and replacement of certain capital assets.

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Notes to Financial Statements

March 31, 2016

1. Summary of significant accounting policies (*continued*)

Revenue recognition

360kids follows the restricted fund method of accounting for contributions.

Contributions, fundraising, donations and other income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized when earned.

Unrestricted contributions are recognized as revenue in the Unrestricted fund.

Externally restricted contributions are recognized as revenue in the appropriate Restricted fund.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and bank deposits, and cashable investments with maturities of three months or less.

Comprised of:

	2016	2015
Cash on hand and balances with bank	\$ 629,257	\$ 288,505
Cashable investments	<u>110,413</u>	<u>60,209</u>
	<u>\$ 739,670</u>	<u>\$ 348,714</u>

Capital assets

Capital assets are recorded at cost. Amortization is provided over their expected useful lives on a straight-line basis as follows:

Buildings	25 years
Office furniture and equipment	5 years
Residential furnishings and equipment	5 years
Computer equipment	4 years
Leasehold improvements	Term of lease

Donations in kind

Donated goods and services in kind are recorded as donations and expensed at fair value when an objective basis to measure their value is available.

Allocation of expenses

360kids segregates its Restricted fund into programs and allocates administrative expenses from the Unrestricted fund to the programs.

Administration costs are allocated to the restricted programs based on the contracts with the funders.

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2. Short term investments

Short term investments are comprised of a fixed income investment bearing interest at 5.2% maturing September 2016 and fixed income exchange traded funds.

3. Due (to) from funds

Due (to) from funds represents current advances between funds with no fixed terms of repayment and bearing no interest.

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4. Capital assets

	Cost	Accumulated Amortization	2016 Net Book Value
Restricted capital assets:			
Land	\$ 336,030	\$ -	\$ 336,030
Buildings	373,417	266,135	107,282
Office furniture and equipment	78,986	49,001	29,985
Vehicle	39,853	664	39,189
Residential furnishings and equipment	57,041	57,041	-
Computer equipment	128,649	96,168	32,481
Leasehold improvements	<u>37,558</u>	<u>37,558</u>	<u>-</u>
	<u>\$ 1,051,534</u>	<u>\$ 506,567</u>	<u>\$ 544,967</u>

Unrestricted capital assets:

Office furniture and equipment	\$ 45,160	\$ 9,045	\$ 36,115
Computer equipment	<u>30,778</u>	<u>20,454</u>	<u>10,324</u>
	<u>\$ 75,938</u>	<u>\$ 29,499</u>	<u>\$ 46,439</u>

	Cost	Accumulated Amortization	2015 Net Book Value
Restricted capital assets:			
Land	\$ 336,030	\$ -	\$ 336,030
Buildings	373,417	251,198	122,219
Office furniture and equipment	47,422	43,829	3,593
Residential furnishings and equipment	57,041	57,041	-
Computer equipment	128,649	76,640	52,009
Leasehold improvements	<u>37,558</u>	<u>33,574</u>	<u>3,984</u>
	<u>\$ 980,117</u>	<u>\$ 462,282</u>	<u>\$ 517,835</u>

Unrestricted capital assets:

Office furniture and equipment	\$ 7,800	\$ 7,800	\$ -
Computer equipment	<u>30,778</u>	<u>15,609</u>	<u>15,169</u>
	<u>\$ 38,578</u>	<u>\$ 23,409</u>	<u>\$ 15,169</u>

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Notes to Financial Statements March 31, 2016

5. Accounts payable and accrued liabilities

At March 31, 2016 accounts payable and accrued liabilities include outstanding government remittances with respect to payroll source deductions of \$61,895 (2015 - \$25,585). Accounts payable and accrued liabilities are unsecured and not subject to any terms or covenants.

6. Mortgage payable

The mortgage payable is held by the Royal Bank of Canada and is repayable in blended monthly payments of \$2,870. Interest is calculated at 2.418% per annum and the mortgage is due October 1, 2019. Mortgage payments are funded annually by a grant through The Ministry of Community and Social Services and Ministry of Children and Youth Services (MCSS/MCYS). The loan is secured by properties owned by 360kids at 53 Hamilton Hall Drive, Markham and 65 Oak Lee Circle, Markham.

Mortgage interest for the year charged to building occupancy expense amounted to \$6,051 (2015 - \$7,614).

7. Fund balances

The Restricted fund balances consist of the following:

	2016	2015
Restricted Capital Assets fund net of mortgage	\$ 306,494	\$ 251,036
Campaign fund	432,205	177,593
Externally Restricted funds	342,004	132,837
Capital Reserve fund	<u>54,902</u>	<u>52,324</u>
	<u>\$ 1,135,605</u>	<u>\$ 613,790</u>

Restricted Capital Assets fund net of mortgage represents restricted program capital assets net of accumulated amortization and mortgage. The change in the fund balance is represented by capital assets purchased of \$71,417 (2015 - \$NIL) plus repayment of mortgage principle of \$28,326 (2015 - \$27,170) less amortization of capital assets of \$44,285 (2015 - \$37,835).

Externally Restricted funds represent the accumulated excess of revenues over expenditures that will be utilized at a future date.

The Capital Reserve fund represents the balance of funds received from MCSS/MCYS for the repair and replacement of certain capital assets. During the year \$2,578 (2015 - \$2,577) of funds were received.

Campaign fund represents funds raised for the 'Every Kid Matters Campaign' less a fixed percentage of the funds raised to help cover administration costs. The purpose of the campaign is to provide \$1,000,000 for capital equipment for the new facility and \$1,100,000 for program expansion and long term housing.

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8. Grants and subsidies

Grants and subsidies recorded in the statement of operations include amounts from the following sources:

	2016	2015
Residential program		
MCSS/MCYS	\$ 858,772	\$ 818,667
York Region Children's Aid Society	129,726	117,950
United Way York Region	<u>104,137</u>	<u>104,137</u>
	<u>1,092,635</u>	<u>1,040,754</u>
Youth initiatives		
Municipality of York Region	1,155,896	543,014
MCSS/MCYS	656,059	803,650
Human Resources Development Canada	130,570	256,660
Ministry of Education, Colleges and Universities	81,083	-
Ontario Trillium Foundation	<u>-</u>	<u>40,200</u>
	<u>2,023,608</u>	<u>1,643,524</u>
Family resource centre		
Ministry of Recreation, Culture & Sport	263,900	324,912
Province of Ontario Early Years/Family Day	97,548	97,548
Municipality of York Region	78,225	71,859
Other grants and subsidies	<u>13,797</u>	<u>31,005</u>
	<u>453,470</u>	<u>525,324</u>
Other agency initiatives		
Other grants and subsidies	35,636	13,000
Human Resources Development Canada – programs	14,258	11,113
Human Resources Development Canada - administration	<u>-</u>	<u>3,359</u>
	<u>49,894</u>	<u>27,472</u>
Pay equity		
Municipality of York Region	<u>2,211</u>	<u>2,210</u>
	<u>\$ 3,621,818</u>	<u>\$ 3,239,284</u>

360kids relies on several significant grants to fund its programs as noted above. Many of these grants from MCSS/MCYS, Municipality of York Region, Human Resources Development Canada, Ministry of Recreation Culture & Sport, Ontario Trillium Foundation, United Way York Region and Province of Ontario Early Years/Family Day have been or will be renewed for the year ended March 31, 2017.

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Notes to Financial Statements March 31, 2016

9. Guarantees

In the normal course of business, 360kids enters into agreements that meet the definition of a guarantee. Indemnity has been provided to all directors and officers of 360kids for various items including, but not limited to, all costs to settle suits or actions due to involvement with 360kids, subject to certain restrictions. Directors' and officers' liability insurance has been purchased 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 director or officer of 360kids. The maximum amount of any potential future payment cannot be reasonably estimated.

10. Lease commitments

360kids has entered into agreements to lease premises and office equipment for various periods until March 2021. 360kids is committed to the following future minimum annual lease payments excluding HST.

Fiscal Year

2017	\$ 170,536
2018	127,251
2019	71,535
2020	49,320
2021	<u>49,320</u>
	<u>\$ 467,962</u>

11. Financial instruments

360kids' financial instruments are exposed to a variety of financial risks: credit risk; liquidity risk and market risk. 360kids' finance committee seeks to reduce these risks by establishing investment policies and procedures which include guidelines on allowable investment classes, asset allocation, asset diversification, credit quality, return benchmarks and risk tolerance. 360kids' investment committee delegates investment management by employing experienced investment managers, whose investment policies are in line with 360kids' own investment policy criteria. The investment managers are required to comply with these investment policies in order to reduce the above noted risks to 360kids' investments.

The finance committee meets at least annually to review and assess the investment manager's compliance with the investment policies, review investment performance and investment strategies employed.

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Notes to Financial Statements March 31, 2016

11. Financial instruments (*continued*)

Credit risk

Credit risk is the risk that the issuer of a security will fail to discharge an obligation and cause the other party to incur a financial loss. 360kids' principal financial instruments subject to credit risk are accounts receivable and sundry, short term investments and long term investments. The balance of accounts receivable and sundry on the statement of financial position is 360kids' maximum exposure at that date. 360kids mitigates its exposure to credit risk with respect to its short term and long term investments with its policy of only investing in securities which are rated no lower than government or investment grade.

Liquidity risk

Liquidity risk is the risk that 360kids will encounter difficulty in meeting obligations associated with financial liabilities. These risks are mitigated by the fact that 360kids holds a substantial portion of its portfolio in cash and cash equivalents.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. 360kids is exposed to interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 360kids does not hold investments in foreign currency, therefore is not exposed to currency risk.

Interest rate risk

Interest rate risk refers to the effect on the fair market value of 360kids' financial instruments due to fluctuations in interest rates. 360kids' primary exposure to interest rate risk is from short term and long term investments in fixed income securities and its mortgage payable. The risk with respect to short term investments is mitigated by their short term to maturity. The risk with respect to long term investments is mitigated by their ability to be easily converted to cash. The risk with respect to the mortgage payable is mitigated by the fact 360kids receives funding for the total of its mortgage payment including interest from MCSS/MCYS.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. 360kids' exposure to other price risk is limited to the balance for short term and long term investments on their statement of financial position.

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Notes to Financial Statements March 31, 2016

11. Financial instruments *(continued)*

Financial liabilities

At March 31, 2016, it is management's opinion that 360kids is not in default of the terms of any of its financial liabilities.

12. Fundraising and donations

Fundraising and donations revenue includes \$29,017 (2015 – \$15,574) of unrestricted donations in kind with the corresponding unrestricted expenses in kind included in other program costs of \$29,017 (2015 – \$15,574).

13. Allocation of administration costs

360kids allocates administrative costs to the programs according to the funding agreements. The following amounts relating to administrative costs are included in Restricted fund expenditures on the statement of operations:

	2016	2015
Administration costs		
Salaries and employee benefits	\$ 264,882	\$ 272,337
General and administration	<u>75,944</u>	<u>61,514</u>
	<u>\$ 340,826</u>	<u>\$ 333,851</u>
Administration costs allocated to		
Residential program	\$ 157,340	\$ 156,948
Youth Initiatives	124,399	128,901
Family Resource Centre	50,251	48,002
Other agency initiatives	<u>8,836</u>	<u>-</u>
	<u>\$ 340,826</u>	<u>\$ 333,851</u>