

Consolidated financial statements of

Kids Help Phone

December 31, 2016

Kids Help Phone

December 31, 2016

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Independent Auditor's Report

To the Members of
Kids Help Phone

We have audited the accompanying consolidated financial statements of Kids Help Phone, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, (deficiency) excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and December 31, 2015, current assets as at December 31, 2016 and December 31, 2015, and fund balances as at December 31 and January 1 for both the 2016 and 2015 years. Our audit opinion on the consolidated financial statements for the year ended December 31, 2015 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 consolidated financial statements present fairly, in all material respects, the financial position of Kids Help Phone as at December 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 15, 2017

Kids Help Phone

Consolidated statement of financial position as at December 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	436,018	1,096,389
Short-term investments (Note 4a)	2,551,669	3,309,059
Accounts receivable	319,462	324,688
Prepaid expenses and other	131,197	108,827
	3,438,346	4,838,963
Restricted cash and investments (Note 4b)		
Kyra Field Memorial Fund	42,701	46,625
Reserve Fund	2,788,695	2,745,543
	2,831,396	2,792,168
Capital assets (Note 5)		
	443,025	626,910
	6,712,767	8,258,041
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	636,230	1,456,838
Deferred revenue (Note 6)	892,800	1,445,571
Obligation under capital leases - current (Note 7)	36,154	45,994
	1,565,184	2,948,403
Deferred capital contributions (Note 8)		
	18,326	23,461
Obligation under capital leases (Note 7)	-	36,154
	1,583,510	3,008,018
Fund balances (Note 3)		
Operating Fund		
General	2,098,005	2,082,091
Invested in capital assets	388,545	521,301
Reserve Fund	2,600,006	2,600,006
Externally Restricted Funds	42,701	46,625
	5,129,257	5,250,023
	6,712,767	8,258,041

On behalf of the Board



Chair of the Board



Treasurer

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

Kids Help Phone

Consolidated statement of revenue and expenses
year ended December 31, 2016

	2016			2015		
	Operating Fund	Restricted Funds	Total	Operating Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Events	5,782,212	-	5,782,212	5,832,937	-	5,832,937
General donations and grants	5,884,630	72	5,884,702	6,501,059	54	6,501,113
Government grants						
Kids Help Phone programs	1,470,528	-	1,470,528	1,390,969	-	1,390,969
Good2Talk program	3,146,823	-	3,146,823	2,962,251	-	2,962,251
Investment income	51,527	211	51,738	91,827	308	92,135
Other	48,290	-	48,290	158,722	-	158,722
	16,384,010	283	16,384,293	16,937,765	362	16,938,127
Expenses						
Service delivery costs - Kids Help Phone						
Kids Help Phone (Schedule A)	7,443,707	-	7,443,707	8,754,737	-	8,754,737
Volunteer engagement (Schedule A)	209,168	-	209,168	17,245	-	17,245
Service delivery costs - Good2Talk (Schedule A)	3,146,823	-	3,146,823	2,962,251	-	2,962,251
Direct fundraising (Schedule A)	4,152,114	-	4,152,114	4,228,604	-	4,228,604
General and administrative (Schedule A)	1,352,028	7	1,352,035	1,479,816	-	1,479,816
Amortization of capital assets	201,212	-	201,212	168,055	-	168,055
	16,505,052	7	16,505,059	17,610,708	-	17,610,708
(Deficiency) excess of revenue over expenses	(121,042)	276	(120,766)	(672,943)	362	(672,581)

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

Kids Help Phone

Consolidated statement of changes in fund balances
year ended December 31, 2016

				2016	2015	
	Operating Funds			Externally Restricted Fund		
	General	Capital assets	Reserve	Kyra Field Memorial	Total	Total
	\$	\$	\$	\$	\$	\$
Accumulated excess of revenue over expenses, beginning of year	2,082,091	521,301	2,600,006	46,625	5,250,023	5,922,604
(Deficiency) excess of revenue over expenses	75,035	(196,077)	-	276	(120,766)	(672,581)
Interfund transfer (Note 17)	4,200	-	-	(4,200)	-	-
Purchases of capital assets	(17,327)	17,327	-	-	-	-
Capital lease obligations	(45,994)	45,994	-	-	-	-
Fund balances, end of year	2,098,005	388,545	2,600,006	42,701	5,129,257	5,250,023

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

Kids Help Phone

Consolidated statement of cash flows year ended December 31, 2016

	2016	2015
	\$	\$
Operating activities		
Deficiency of revenues over expenses	(120,766)	(672,581)
Items not affecting cash		
Amortization of capital assets	201,212	168,055
Loss on disposal of capital assets	-	6,731
Amortization of deferred capital contributions	(5,135)	(10,363)
Unrealized gain (loss) on investments	3,133	(605)
	78,444	(508,763)
Changes in non-cash working capital items		
Accounts receivable	5,226	(90,482)
Prepaid expenses and other	(22,370)	71,519
Accounts payable and accrued liabilities	(820,608)	514,746
Deferred revenue	(552,771)	(1,133,098)
	(1,312,079)	(1,146,078)
Investing activities		
Decrease in short-term investments	757,390	788,603
Purchases of capital assets	(17,327)	(394,444)
Increase in restricted cash and investments	(42,361)	(37,994)
	697,702	356,165
Financing activity		
Payment under capital lease obligations	(45,994)	(56,132)
Net decrease in cash	(660,371)	(846,045)
Cash, beginning of year	1,096,389	1,942,434
Cash, end of year	436,018	1,096,389
Supplemental cash flows information		
Cash interest paid	48	758

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

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2016

1. Description of the organization

The Organization is comprised of Kids Help Phone (“KHP”) and Kids Help Foundation (“KHF”). All of the directors of Kids Help Foundation are also directors of Kids Help Phone. Kids Help Phone was incorporated under the Canada Corporations Act and continued under the Canadian Not-for-Profit Corporations Act on October 1, 2013. Kids Help Foundation was incorporated under the Canada Corporations Act and continued under the Canadian Not-for-Profit Corporations Act on December 9, 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.

The mandate of Kids Help Foundation, a registered charitable organization, is to improve the health and welfare of children and their families in Canada.

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

The Board has approved the dissolution of Kids Help Foundation as it has remained inactive for several years. It is expected to be dissolved within the next year.

2. Significant accounting policies

Financial statement presentation

These financial statements are presented on a consolidated basis and include the accounts of Kids Help Phone and Kids Help Foundation. 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. Received 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.

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2016

2. Significant accounting policies (continued)

Financial instruments

Under Section 3856 of the CPA Canada Handbook, all financial instruments included on the consolidated 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:

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

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 consolidated 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 consolidated statement of revenue and expenses.

Transaction costs are expensed as they are incurred.

Pledges

Pledges received are recorded as revenue in the consolidated 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 consolidated 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

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

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2016

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:

	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		

	2015		
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificates	2,557,833	0.85	Redeemable
Guaranteed Investment Certificates	751,226	0.70	Redeemable
	3,309,059		

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2016

4. Investments (continued)

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

	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
	2,788,695		
	2,831,396		
			2015
	Fair value	Interest rate	Due date
	\$	%	
Kyra Field Memorial Fund			
Cash	46,625	n.a.	n.a.
Reserve Fund			
Cash	516,132	n.a.	n.a
BMO High Interest Savings	479,201	n.a.	call
BMO Step Up deposits 2024	99,460	2.35%	12-May-16
Manulife CDA	204,507	2.40%	22-Jan-20
CPN Bell Canada Cars & Pars	199,238	n.a.	2-Apr-16
Ontario Savings Bond series 2012	319,800	2.00%	21-Jun-17
Ontario Savings Bond series 2013	416,560	1.75%	21-Jun-18
Ontario Savings Bond series 2014	510,645	1.50%	21-Jun-19
	2,745,543		
	2,792,168		

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Notes to the consolidated financial statements

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5. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	398,440	182,758	215,682	252,650
Computers	564,654	441,153	123,501	197,576
Leasehold improvements	784,858	717,170	67,688	94,373
Assets held under capital leases	175,889	139,735	36,154	82,311
	1,923,841	1,480,816	443,025	626,910

6. Deferred revenue

	2016	2015
	\$	\$
Balance, beginning of year	1,445,571	2,578,669
Donations and grants received / receivable for special events and programs	5,833,774	5,742,858
Recognized in revenue	(6,386,544)	(6,875,956)
Balance, end of year	892,800	1,445,571

Deferred revenue is comprised of amounts relating to the following:

	2016	2015
	\$	\$
Government	701,238	1,032,828
Foundations	68,689	269,112
Corporations	25,000	44,231
Individuals	-	16,630
Events	97,873	82,770
	892,800	1,445,571

7. Obligation under capital leases

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

	2016	2015
	\$	\$
Total minimum lease payments	36,154	82,196
Amount representing interest	-	(48)
	36,154	82,148
Less: current portion	(36,154)	(45,994)
Long-term portion	-	36,154

Interest expense related to these leases was \$48 (2015 - \$758).

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Notes to the consolidated financial statements

December 31, 2016

8. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	23,461	33,824
Amortization of deferred capital contributions	(5,135)	(10,363)
Balance, end of year	18,326	23,461

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 balance sheet with respect to these agreements.

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Notes to the consolidated financial statements

December 31, 2016

10. Lease commitments

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

	\$
2017	914,308
2018	923,484
2019	904,352
2020	758,321
2021	97,787
Beyond	24,447
	<u>3,622,699</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 2016 the Organization paid/accrued for the following services from related parties:

	2016	2015
	\$	\$
Telecommunication services from Bell Canada	642,848	516,003
Legal services from Osler, Hoskin & Harcourt LLP	166,630	108,402
Banking services from BMO Bank of Montreal	21,823	3,625
Courier services from Purolator Inc.	19,778	13,513
Incentives from The Source (Bell) Electronics Inc.	-	28,712
Facebook	1,840	-
Cisco Systems	47,167	-

In addition, in 2016, the Organization also recognized \$251,263 (2015 - \$181,000) of contributed legal services from Osler, Hoskin & Harcourt; \$ Nil (2015 - \$95,000) of contributed telecommunication services from Bell Canada and \$95,364 (2015 - \$77,428) of contributed materials in relation to the donation of AirMiles from LoyaltyOne.

12. Externally restricted funds

The Organization manages externally restricted funds of \$42,701 (2015 - \$46,625) 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, 2016 and 2015, there was \$Nil in borrowings under this credit facility.

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Notes to the consolidated financial statements

December 31, 2016

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 - Consolidated 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.

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 polices.

16. Government remittances

Included in accounts payable and accrued liabilities is an amount of \$18,610 (2015 - \$11,470) representing amounts due to the government relating to payroll and commodity taxes.

17. Interfund transfers

For the year ended December 31, 2016, there was an approved transfer of \$4,200 (2015 - \$Nil) made from the Externally Restricted Funds to the Operating Fund to support counsellor training activities.

18. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Kids Help Phone

Schedule A - Consolidated schedules of expenses year ended December 31, 2016

	2016	2015
	\$	\$
Kids Help Phone Service Delivery		
Salaries and employee benefits	5,446,916	6,333,176
Kid's Website	340,684	366,593
Telecommunications	277,186	290,862
Youth marketing	356,025	755,972
Rent	366,142	377,355
General and office	266,095	347,801
Insurance	27,342	21,163
Professional fees	363,317	261,815
	7,443,707	8,754,737
Kids Help Phone Volunteer Engagement		
Salaries and employee benefits	199,847	-
General and office	3,079	10,629
Training	6,104	4,356
Travel	138	2,260
	209,168	17,245
Good2Talk Service Delivery		
Salaries and employee benefits	2,155,539	2,067,119
Marketing	251,880	144,224
Partnership Service Agreement	468,260	386,060
Office and general	127,022	128,354
Rent	110,173	165,758
Professional fees	9,187	8,153
Telecommunications	24,762	62,583
	3,146,823	2,962,251
Direct fundraising		
Salaries and employee benefits	1,833,863	1,498,019
Events	965,290	1,133,859
General and office	205,554	295,542
Rent	275,818	144,211
Fundraising campaigns	493,022	339,908
Prospect development	95,013	564,454
Telecommunications	94,637	115,599
Donor marketing	34,089	65,601
Travel	38,794	40,279
Professional fees	65,459	9,050
Insurance	8,059	11,985
Corporate promotions and sponsorship	42,516	10,097
	4,152,114	4,228,604
General and administrative		
Salaries and employee benefits	923,931	937,931
Professional fees	184,791	212,658
Bank charges	48,937	36,746
General and office	116,332	149,631
Rent	59,645	127,052
Insurance	8,097	8,886
Telephone	10,302	6,912
	1,352,035	1,479,816

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