
Financial statements of Kids Help Phone

December 31, 2018

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Independent Auditor's Report

To the Members of
Kids Help Phone

Qualified Opinion

We have audited the financial statements of Kids Help Phone (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 the Organization and we were not able to determine whether any adjustments might be necessary to recorded revenue, the excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and the fund balances as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 qualified audit 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Debitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2019

Kids Help Phone

Statement of financial position

As at December 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		2,064,704	2,362,804
Short-term investments	4a	1,048,236	2,042,060
Accounts receivable		2,082,203	538,482
Prepaid expenses and other		130,497	125,246
		5,325,640	5,068,592
Restricted cash and investments			
Kyra Field Memorial Fund	4b	35,385	38,934
Reserve Fund		3,600,000	3,000,000
		3,635,385	3,038,934
Capital assets	5	402,359	429,507
		9,363,384	8,537,033
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	1,065,856	841,092
Deferred revenue	6	1,047,518	1,542,406
		2,113,374	2,383,498
Deferred capital contributions	7	6,760	11,008
		2,120,134	2,394,506
Fund balances			
Operating Fund	3		
General		3,212,266	2,685,094
Invested in capital assets		395,599	418,499
Reserve Fund		3,600,000	3,000,000
Externally restricted fund		35,385	38,934
		7,243,250	6,142,527
		9,363,384	8,537,033

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, 2018

	2018	2017
	\$	\$
Revenue		
Operating fund		
Events	6,259,726	6,260,125
General donations and grants	6,665,785	5,290,213
Government grants		
Kids Help Phone programs	3,756,074	2,310,420
Good2Talk program	3,773,949	3,851,571
Investment income	64,084	45,435
Other	40,532	57,610
Restricted fund - Kyra Field Memorial		
General donations and grants	386	216
Investment income	268	163
	20,560,804	17,815,753
Expenses		
Operating fund		
Service delivery costs - Kids Help Phone		
Kids Help Phone (Schedule A)	9,883,080	7,018,115
Volunteer engagement (Schedule A)	201,121	293,847
Service delivery costs - Good2Talk (Schedule A)	3,773,949	3,851,571
Direct fundraising (Schedule A)	4,084,296	4,091,330
General and administrative (Schedule A)	1,332,417	1,328,535
Amortization of capital assets	185,214	219,079
Restricted fund - Kyra Field Memorial		
General and administrative	4	6
	19,460,081	16,802,483
Excess of revenue over expenses	1,100,723	1,013,270

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

Kids Help Phone

Statement of changes in fund balances

Year ended December 31, 2018

	2018					2017
	Operating Fund		Internally Restricted Fund	Externally Restricted Fund	Total	Total
	Invested in Capital assets		Reserve	Kyra Field Memorial		
	General					
	\$	\$	\$	\$	\$	
Fund balances, beginning of year	2,685,094	418,499	3,000,000	38,934	6,142,527	5,129,257
Excess (deficiency) of revenue over expenses	1,320,011	(219,938)	—	650	1,100,723	1,013,270
Interfund transfer	(595,801)	—	600,000	(4,199)	—	—
Purchases of capital assets	(197,038)	197,038	—	—	—	—
Fund balances, end of year	3,212,266	395,599	3,600,000	35,385	7,243,250	6,142,527

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

Kids Help Phone

Statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenues over expenses	1,100,723	1,013,270
Items not affecting cash		
Amortization of capital assets	185,214	219,079
Loss on disposal of capital assets	38,972	17,327
Amortization of deferred capital contributions	(4,248)	(7,318)
Unrealized (losses) gain on restricted investments	(511)	9,090
	1,320,150	1,251,448
Changes in non-cash working capital items		
Accounts receivable	(1,543,721)	(219,020)
Prepaid expenses and other	(5,251)	5,951
Accounts payable and accrued liabilities	224,764	204,862
Deferred revenue	(494,888)	649,606
	(498,946)	1,892,847
Investing activities		
Proceeds on sale of short-term investments	993,824	509,609
Purchases of capital assets	(197,038)	(222,888)
Increase in restricted cash and investments	(595,940)	(216,628)
	200,846	70,093
Financing activity		
Payment under capital lease obligations	—	(36,154)
Net (decrease) increase in cash	(298,100)	1,926,786
Cash, beginning of year	2,362,804	436,018
Cash, end of year	2,064,704	2,362,804

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

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 counselling, volunteer-led confidential text-based support, referrals and information in English and French for young people 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

General grant revenue is recorded in the year to which it relates if collection is reasonably assured. General 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 capital assets 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

Contributions received related to the purchase of capital assets are recorded as deferred capital contributions 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 investments and restricted cash and investments which are measured at fair value. Changes in fair value are recognized as investment income 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. 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 financial instruments measured at fair value, 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 Invested in the capital assets portion of the Operating Fund records the cost of capital assets acquired less accumulated amortization and the unamortized portion of deferred capital contributions.

Reserve Fund

The Reserve Fund represents funds internally 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 Fund

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:*

	2018		
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificates	1,048,236	0.70	Redeemable
			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		

4. Investments (continued)

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

	2018		
	Fair value	Interest rate	Due date
	\$	%	
Kyra Field Memorial Fund			
Restricted cash	35,385	n.a.	n.a.
Reserve Fund			
Restricted cash	1,840,136	n.a.	n.a.
Ontario Savings Bond 2014 Series	542,520	2.50	21-Jun-19
BMO step up deposit notes Ext 2023	240,468	1.75	16-Mar-23
BMO step up deposit notes Ext 2024	290,550	1.75	22-Mar-24
Manulife Bank of Canada GIC	219,602	2.40	22-Jan-20
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 equity	283	n.a	n.a
Bank of Nova Scotia equity	681	n.a	n.a
Suncor Energy Inc equity	8,388	n.a	n.a
	3,600,000		
	3,635,385		

4. Investments (continued)

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

	2017		
	Fair value	Interest rate	Due date
	\$	%	
Kyra Field Memorial Fund			
Restricted cash	38,934	n.a.	n.a.
Reserve Fund			
Restricted 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-Mar-23
BMO step up deposit notes Ext 2024	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 equity	338	n.a.	n.a.
Bank of Nova Scotia equity	730	n.a.	n.a.
Royal Bank of Canada equity	10,983	n.a.	n.a.
	3,000,000		
	3,038,934		

5. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	377,902	201,857	176,045	185,286
Computers	836,261	639,858	196,403	206,736
Leasehold improvements	793,937	764,026	29,911	37,485
	2,008,100	1,605,741	402,359	429,507

6. Deferred revenue

	2018	2017
	\$	\$
Balance, beginning of year	1,542,406	892,800
Donations and grants received for special events and programs	7,743,803	8,385,855
Recognized in revenue during the year	(8,238,691)	(7,736,249)
Balance, end of year	1,047,518	1,542,406

Deferred revenue is comprised of amounts relating to the following:

	2018	2017
	\$	\$
Government	304,284	592,302
Foundations	64,500	204,292
Corporations	474,947	681,113
Events	203,787	64,699
	1,047,518	1,542,406

7. Deferred capital contributions

	2018	2017
	\$	\$
Balance, beginning of year	11,008	18,326
Amortization of deferred capital contributions	(4,248)	(7,318)
Balance, end of year	6,760	11,008

8. 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.

9. Lease commitments

The Organization is committed to the following annual lease payments for office space which expire in 2022:

	\$
2019	928,610
2020	727,471
2021	99,273
2022	24,818
	<u>1,780,172</u>

10. 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. During the year, the Organization paid/accrued for the following services from related parties:

	2018	2017
	\$	\$
Telecommunication services from Bell Canada	176,659	420,631
Legal services from Osler, Hoskin & Harcourt LLP	2,081	3,320
Banking services from BMO Bank of Montreal	23,698	25,959
Courier services from Purolator Inc.	—	18,480
Facebook	5,379	1,291

In addition, during the year, the Organization also recognized \$214,080 (\$202,130 in 2017) of contributed legal services from Osler, Hoskin & Harcourt; and \$59,999 (\$163,260 in 2017) of contributed materials in relation to the donation of AirMiles from LoyaltyOne.

11. Externally restricted funds

The Organization manages an externally restricted fund of \$35,385 (\$38,934 in 2017) 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.

12. 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, 2018 and 2017, there was \$nil in borrowings under this credit facility.

13. Allocation of expenses

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

14. 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.

14. 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 polices.

15. Government remittances

Included in accounts payable and accrued liabilities is an amount of \$23,502 (\$19,190 in 2017) representing amounts due to the government relating to payroll and commodity taxes.

16. Interfund transfers

During fiscal 2018, the Board of Directors recommended a transfer of \$4,199 (\$4,140 in 2017) made from the Externally Restricted Fund to the Operating Fund to support counsellor training activities. This transfer was approved by the external donor.

In addition, the Board of Directors approved a transfer of \$600,000 (\$399,994 in 2017) from the Operating Fund to the Internally Reserve Fund.

Kids Help Phone

Schedule A - Schedule of expenses

Year ended December 31, 2018

	2018	2017
	\$	\$
Kids Help Phone service delivery		
Salaries and employee benefits	6,989,555	4,904,670
Kid's website	175,243	337,474
Telecommunications	238,429	199,291
Youth marketing	603,624	368,304
Rent	486,474	399,021
General and office	789,556	365,467
Insurance	32,775	35,543
Professional fees	567,424	408,345
	9,883,080	7,018,115
Kids Help Phone volunteer engagement		
Salaries and employee benefits	163,212	238,272
General and office	30,221	53,370
Training	3,524	1,928
Travel	4,164	277
	201,121	293,847
Good2Talk service delivery		
Salaries and employee benefits	2,313,280	2,428,241
Marketing	439,931	553,312
Partnership service agreement	593,290	534,695
Office and general	131,607	131,319
Rent	180,904	113,066
Professional fees	55,508	37,229
Telecommunications	59,429	53,709
	3,773,949	3,851,571
Direct fundraising		
Salaries and employee benefits	1,832,702	1,856,134
Events	873,185	937,736
General and office	262,595	221,456
Rent	176,609	284,694
Fundraising campaigns	503,321	437,180
Prospect development	139,419	132,373
Telecommunications	82,433	96,318
Donor marketing	31,551	19,766
Travel	31,639	39,608
Professional fees	119,746	26,046
Insurance	7,170	9,996
Corporate promotions and sponsorship	23,926	30,023
	4,084,296	4,091,330
General and administrative		
Salaries and employee benefits	869,137	921,804
Professional fees	126,099	94,474
Bank charges	61,568	30,550
General and office	180,595	182,829
Rent	67,922	81,011
Insurance	7,783	10,631
Telephone	19,313	7,236
	1,332,417	1,328,535