

Consolidated financial statements of

Kids Help Phone

December 31, 2012 and December 31, 2011

Kids Help Phone

December 31, 2012 and December 31, 2011

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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 balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, the consolidated statements of revenue and expenses, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 these revenues from the general public in the form of revenue from donations, sponsorship, special events and promotions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Kids Help Phone. Therefore, we were not able to determine whether any adjustments might be necessary to excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2012 and December 31, 2011, and current assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

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, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 30, 2013

Kids Help Phone

Consolidated statements of revenue and expenses
years ended December 31, 2012 and December 31, 2011

	2012			2011 (Note 2)		
	Operating Fund	Restricted Funds	Total	Operating Fund	Restricted Funds	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Events	6,239,193	126,697	6,365,890	6,008,096	36,830	6,044,926
General donations and grants	3,147,578	15,146	3,162,724	3,001,871	766,560	3,768,431
Government grants	1,206,915	-	1,206,915	1,204,866	-	1,204,866
Corporate promotions	16,809	-	16,809	196,862	-	196,862
Program sponsorship	270,000	-	270,000	234,595	-	234,595
Investment income	45,849	4,133	49,982	36,885	5,337	42,222
Other	44,337	-	44,337	134,677	-	134,677
	10,970,681	145,976	11,116,657	10,817,852	808,727	11,626,579
Expenses						
Service delivery costs						
Kids Help Phone - Schedule	5,750,103	-	5,750,103	5,252,616	382,943	5,635,559
Youth Engagement - Schedule	79,384	-	79,384	133,387	-	133,387
The Jack Project - Schedule	272,637	-	272,637	126,375	-	126,375
Direct fundraising - Schedule	3,211,107	29,123	3,240,230	2,965,217	90,318	3,055,535
General and administrative - Schedule	1,170,620	73	1,170,693	1,293,382	78	1,293,460
Donor development - Schedule	200,411	-	200,411	270,669	-	270,669
Amortization of capital assets	111,300	-	111,300	85,229	-	85,229
Loss on disposal of capital assets	-	-	-	238	-	238
Interest on obligation under capital leases	4,389	-	4,389	4,396	-	4,396
Transfer to Queen's University for the Jack Project (Note 4)	-	75,175	75,175	-	-	-
	10,799,951	104,371	10,904,322	10,131,509	473,339	10,604,848
Excess of revenue over expenses before restructuring costs	170,730	41,605	212,335	686,343	335,388	1,021,731
Restructuring costs (Note 16)						
Service delivery costs - Kids Help Phone	-	-	-	37,557	-	37,557
Direct fundraising	-	-	-	12,003	-	12,003
	-	-	-	49,560	-	49,560
Excess of revenue over expenses	170,730	41,605	212,335	636,783	335,388	972,171

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

Kids Help Phone

Consolidated statements of changes in fund balances
years ended December 31, 2012 and December 31, 2011

							2012	2011
								(Note 2)
	Operating Funds		Internally Board Restricted Funds			Externally Restricted Funds		
	General	Capital assets	Reserve	Futures Campaign	Jack Windeler Memorial		Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated excess of revenue over expenses, beginning of year	1,402,280	296,279	1,880,006	9,814	569,827	55,048	4,213,254	3,241,083
Excess of revenue over expenses	267,688	(96,958)	-	-	40,821	784	212,335	972,171
Interfund transfers (Note 18)	309,587	-	120,000	-	(429,587)	-	-	-
Net investment in capital assets	(143,861)	143,861	-	-	-	-	-	-
Capital lease obligation	(19,681)	19,681	-	-	-	-	-	-
Fund balances, end of year	1,816,013	362,863	2,000,006	9,814	181,061	55,832	4,425,589	4,213,254

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

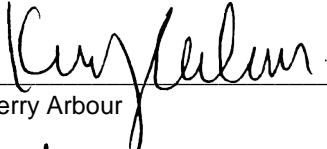
Kids Help Phone

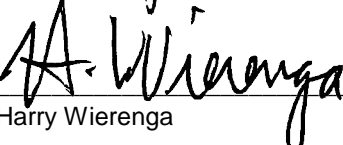
Consolidated balance sheets

as at December 31, 2012, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
	\$	\$	\$
Assets			
Current assets			
Cash	1,750,212	2,513,919	1,718,895
Short-term investments (Note 5a)	1,005,750	-	535,414
Accounts receivable	238,134	207,621	208,250
Prepaid expenses and other	201,542	173,323	161,926
	3,195,638	2,894,863	2,624,485
Restricted cash and investments (Note 5b)			
Kyra Field Memorial Fund	55,832	55,048	54,009
Reserve Fund (formerly Operating Reserve Fund)	2,040,222	1,890,464	1,552,838
Jack Windeler Memorial Fund	181,061	569,827	466,703
Futures Campaign Fund	9,814	9,814	9,814
	2,286,929	2,525,153	2,083,364
Capital assets (Note 6)			
	481,586	428,090	428,178
	5,964,153	5,848,106	5,136,027
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	715,419	710,956	909,444
Deferred revenue (Note 7)	704,422	792,085	825,655
Obligation under capital leases - current (Note 8)	18,695	20,281	17,981
	1,438,536	1,523,322	1,753,080
Deferred capital contribution (Note 9)	61,682	55,089	65,732
Obligation under capital leases (Note 8)	38,346	56,441	76,132
	1,538,564	1,634,852	1,894,944
Fund balances (Note 4)			
Operating Fund			
General	1,816,013	1,402,280	894,382
Invested in capital assets	362,863	296,279	268,333
Reserve Fund (formerly Operating Reserve Fund)	2,000,006	1,880,006	1,547,842
Jack Windeler Memorial Fund	181,061	569,827	466,703
Futures Campaign Fund	9,814	9,814	9,814
Externally Restricted Funds	55,832	55,048	54,009
	4,425,589	4,213,254	3,241,083
	5,964,153	5,848,106	5,136,027

On behalf of the Board


 _____ Chair of the Board
 Kerry Arbour


 _____ Treasurer
 Harry Wierenga

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

Kids Help Phone

Consolidated statements of cash flows

years ended December 31, 2012 and December 31, 2011

	2012	2011 (Note 2)
	\$	\$
Operating activities		
Excess of revenues over expenses	212,335	972,171
Items not affecting cash		
Amortization of capital assets	111,300	85,229
Loss on disposal of capital assets	-	238
Amortization of deferred capital contributions	(14,342)	(11,318)
(Gain) loss on investments	(19,570)	(1,200)
	289,723	1,045,120
Changes in non-cash working capital items		
Accounts receivable	(30,513)	629
Prepaid expenses and other	(28,219)	(11,397)
Accounts payable and accrued liabilities	4,463	(198,488)
Deferred revenue	(87,663)	(33,570)
	147,791	802,294
Investing activities		
(Increase) decrease in short-term investments	(1,005,750)	535,414
Purchase of capital assets	(164,796)	(85,379)
Decrease (increase) in restricted investments	257,794	(440,589)
	(912,752)	9,446
Financing activities		
Capital grants received	20,935	675
Payment under capital lease obligations	(19,681)	(17,391)
	1,254	(16,716)
Net (decrease) increase in cash	(763,707)	795,024
Cash, beginning of year	2,513,919	1,718,895
Cash, end of year	1,750,212	2,513,919
Supplemental cash flows information		
Cash interest paid	4,880	4,968

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, 2012 and December 31, 2011

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.

The mandate of Kids Help Phone is to provide anonymous and confidential professional counseling, referrals and information 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.

2. Adoption of a new accounting framework

During the year ended December 31, 2012, the Organization adopted the new accounting standards for not-for profit organizations (the “new standards”) issued by the Canadian Institute of Chartered Accountants (“CICA”). In accordance with Section 1501 of the CICA Handbook, First-time adoption, (“Section 1501”), the date of transition to the new standards is January 1, 2011 and the Organization has prepared and presented an opening consolidated balance sheet at the date of transition to the new standards. This opening consolidated balance sheet is the starting point for the Organization’s accounting under the new standards. In its opening consolidated balance sheet, under the recommendations of Section 1501, the Organization:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 2 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively, excluding where optional exemptions available under Section 1501 have been applied.

The Organization has elected to adopt the exemption available under Section 1501 relating to the fair value of financial instruments at the date of transition for investments.

- (a) The impact of the adoption of the new standards on the consolidated balance sheet and on fund balances as at January 1, 2011 is summarized as follows:

		Consolidated balance sheet as at January 1, 2011, as stated in the previous financial statements	Adjustments in fund balances	Consolidated balance sheet as at January 1, 2011, in accordance with the new basis of accounting
		\$	\$	\$
Assets				
Short-term investments	(i)	535,414	-	535,414
Restricted investments	(i)	2,083,364	-	2,083,364
Fund balances				
Fund balances	(ii)	3,241,083	(2,416)	3,241,083
	(ii)		2,416	

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Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

2. Adoption of a new accounting framework (continued)

- (b) The impact of the adoption of the new standards on the Consolidated statement of revenue and expenses as at December 31, 2011 is summarized as follows:

		Consolidated statement of revenue and expenses for the year ended December 31, 2011, as stated in the previous financial statements	Adjustments in fund balances	Consolidated statement of revenue and expenses for the year ended December 31, 2011, in accordance with the new basis of accounting
		\$	\$	\$
Revenue				
Investment income	(iii)	40,447	1,775	42,222
Excess of revenue over expenses				
		970,396	1,775	972,171

- (i) As at January 1, 2011, the organization recognized its short-term and restricted investments at fair value. Under the previous basis of accounting, these investments were also recognized at fair value as available-for-sale financial assets, and the unrealized gains were reported directly in the statement of changes in fund balances. These unrealized gains are now recognized in the statement of revenue and expenses. Therefore, there is no net effect on the investments or fund balances. However, this change had an effect on the statement of revenue and expenses.
- (ii) Reconciliation of fund balances in the consolidated financial statements as at January 1, 2011:

	Notes	\$
Fund balances as at January 1, 2011		3,243,499
Cumulative unrealized losses reported directly in the statement of changes in fund balances		(2,416)
Fund balances as at January 1, 2011, as stated in the previous financial statements		3,241,083

Changes in fund balances:

Re-classification of cumulative unrealized losses on available-for-sale financial assets that were reported directly in fund balances	(i)	2,416
Cumulative change in fair value of investments – re-classification to statement of revenue and expenses	(i)	(2,416)
Fund balances as at January 1, 2011, in accordance with the new basis of accounting		3,241,083

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Notes to the consolidated financial statements December 31, 2012 and December 31, 2011

2. Adoption of a new accounting framework (continued)

(iii) Reconciliation of excess of revenue over expenses in the financial statements as at December 31, 2011:

Excess of revenues over expenses as at December 31, 2011, as stated in the previous financial statements	970,396
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Changes in excess of revenue over expenses:

<u>Change in fair value of investments</u>	<u>1,775</u>
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<u>Excess of revenues over expenses as at December 31, 2011, in accordance with the new basis of accounting</u>	<u>972,171</u>
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(iv) Reconciliation of fund balances in the financial statements as at December 31, 2011:

\$

Net change in fund balances as at January 1, 2011	(ii)	970,396
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Re-classification of cumulative unrealized gains on available-for-sale financial assets reported directly in fund balances in 2011		(1,775)
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<u>Change in excess of revenues over expenses as at December 31, 2011</u>	<u>(iii)</u>	<u>1,775</u>
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<u>Net change in fund balances as at December 31, 2011, in accordance with the new basis of accounting</u>		<u>-</u>
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These changes did not result in material adjustments to the statement of cash flows.

3. 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 the Canadian Institute of Chartered Accountants, using the restricted fund method of reporting restricted contributions.

Revenue recognition

Corporate and sponsorship revenue is recorded in the year to which it relates if the receipt 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.

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies (continued)

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 expense 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.

Financial instruments

Under Section 3856, all financial instruments are included on the consolidated balance sheets, and 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 balance sheets 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
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 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 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.

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Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies (continued)

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 significant estimates and assumptions are included in accounts payable and accrued liabilities, and amortization of capital assets.

Allocation of expenses

KHP allocates the cost of salaries and benefits and rental expenses as follows:

- Salaries and benefits - allocated based on the percentage of time assigned to each program
- Rent - allocated based on the surface area occupied by each program.

4. 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 (formerly Operating 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.

Futures Campaign Fund

The Futures Campaign Fund represents a fund established by the Board of Directors to invest in building future capacity at Kids Help Phone.

Jack Windeler Memorial Fund

The Jack Windeler Memorial Fund represents a fund established by the Board of Directors to support initiatives related to youth mental health and well-being as they transition from secondary school to post-secondary choices. During the year, the Board of Directors approved the dissolution of The Jack Windeler Memorial Fund. As part of the wind up of this fund, the Board of Directors approved a fund transfer to Queen's University in the amount of \$75,175. The remaining fund balance will go to support initiatives related to youth mental health and well-being which will be completed in 2013.

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.

Kids Help Phone

Notes to the consolidated financial statements
December 31, 2012 and December 31, 2011

5. Investments

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

December 31, 2012			
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificate	1,005,750	1.15	Redeemable
December 31, 2011			
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificate	-		
BMO Money Market Fund	-		
	-		
January 1, 2011			
	Fair value	Interest rate	Due date
	\$	%	
Guaranteed Investment Certificate	500,257	1.25	December 16, 2011
BMO Money Market Fund	35,157	N/A	N/A
	535,414		

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Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

5. Investments (continued)

b) Restricted investments are comprised of the following:

	December 31, 2012		
	Fair value	Interest rate	Due date
	\$	%	
Jack Windeler Memorial Fund			
Cash	181,061	N/A	N/A
Kyra Field Memorial Fund			
Cash	55,832	N/A	N/A
Reserve Fund			
Cash	123,904	N/A	N/A
Covington Fund II Inc.	446	N/A	N/A
Canadian Pacifi Railway	5,045	N/A	N/A
Manulife GIC	236,410	2.40	30-Sep-13
CPN Transalta	119,940	N/A	18-May-14
CPN Transalta	87,997	N/A	18-Nov-13
CPN Transalta	73,842	N/A	18-Nov-15
CPN TransCda	129,582	N/A	20-May-13
CPN Brookfield Asset	44,945	N/A	2-Jun-14
CPN Sunlife	98,525	N/A	2-Sep-13
CPN Sunlife	94,366	N/A	2-Mar-15
CPN Bell Cda Cars	183,981	N/A	2-Apr-16
AGF Trust Company	10,958	3.26	24-Feb-15
Manulife CDA	18,102	2.95	19-Nov-15
Manulife Coupon	147,524	N/A	18-Nov-13
AAT High Savings	362,654	N/A	N/A
Ontario Saving Bond Step Up			
Coupon	302,001	1.25	21-Jun-17
	2,040,222		
Futures Campaign Fund			
Cash	9,814	N/A	N/A
	2,286,929		

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Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

5. Investments (continued)

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

			December 31, 2011
	Fair value	Interest rate	Due date
	\$	%	
Jack Windeler Memorial Fund			
Cash	569,827	N/A	N/A
Kyra Field Memorial Fund			
Cash	55,048	N/A	N/A
Reserve Fund			
Cash	718,345	N/A	N/A
85 Agnico Eagle Mines Ltd	4,381	N/A	N/A
59 Front Street	554	N/A	N/A
150 Pathway Multi Series	523	N/A	N/A
Bank of Montreal			
Step up Bond	301,660	2.00	April 27, 2014
Manulife GIC	236,468	2.40	September 30, 2013
CPN Transalta	123,681	N/A	May 18, 2012
CPN Transalta	115,439	N/A	May 18, 2014
CPN TransCda	126,630	N/A	May 20, 2013
Manulife Coupon	121,571	N/A	October 8, 2012
Manulife Coupon	141,212	N/A	October 8, 2013
	1,890,464		
Futures Campaign Fund			
Cash	9,814	N/A	N/A
	2,525,153		

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

5. Investments (continued)

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

			January 1, 2011
	Fair value	Interest rate	Due date
	\$	%	
Jack Windeler Memorial Fund			
Cash	466,703	N/A	N/A
Kyra Field Memorial Fund			
Cash	54,009	N/A	N/A
Reserve Fund			
Cash	406,534	N/A	N/A
30 Agnico Eagle Mines Ltd	2,307	N/A	N/A
Bank of Montreal			
Step up Bond	100,878	2.00	January 4, 2011
Manulife GIC	236,468	2.40	September 30, 2013
CIBC Step up Bond	250,868	2.00	March 12, 2011
Bank of Montreal			
Step up Bond	300,890	2.25	May 21, 2011
Manulife Coupon	118,029	N/A	October 8, 2012
Manulife Coupon	136,864	N/A	October 8, 2013
	1,552,838		
Futures Campaign Fund			
Cash	9,814	N/A	N/A
	2,083,364		

6. Capital assets

	December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	364,845	167,659	197,186
Computers	378,773	301,958	76,815
Leasehold improvements	760,086	600,442	159,644
Assets held under capital leases	493,870	445,929	47,941
	1,997,574	1,515,988	481,586

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

6. Capital assets (continued)

	December 31, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	480,388	242,925	237,463
Computers	720,005	658,935	61,070
Leasehold improvements	686,187	586,478	99,709
Assets held under capital leases	376,759	346,911	29,848
	<u>2,263,339</u>	<u>1,835,249</u>	<u>428,090</u>

	January 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	472,832	215,927	256,905
Computers	719,005	675,153	43,852
Leasehold improvements	661,590	575,865	85,725
Assets held under capital leases	376,759	335,063	41,696
	<u>2,230,186</u>	<u>1,802,008</u>	<u>428,178</u>

7. Deferred revenue

	December 31, 2012	December 31, 2011	January 1, 2011
		\$	\$
Balance, beginning of year	792,085	825,655	982,364
Donations received for special events and programs	1,929,016	1,792,707	1,644,764
Recognized in revenue	(2,016,679)	(1,826,277)	(1,801,473)
Balance, end of year	<u>704,422</u>	<u>792,085</u>	<u>825,655</u>

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

7. Deferred revenue (continued)

Deferred revenue is comprised of amounts relating to the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Ontario Ministry of Education	187,500	186,814	229,286
Bell Canada	110,000	156,257	300,000
Bell Aliant	25,000	-	-
Motorola Foundation	24,450	-	99,595
Healthy Community Funds	-	-	51,072
Anonymous Donor	130,000	130,000	-
Ontario Centre of Excellence	-	13,017	-
BMO Bank of Montreal	-	65,000	-
Ontario Trillium Foundation	87,800	87,800	-
Leslois Shaw Foundation	75,000	-	-
Chapters			
British Columbia	-	50,000	54,464
Alberta	53,272	103,197	55,445
Quebec	-	-	3,166
Manitoba/Saskatchewan	11,400	-	-
Atlantic	-	-	32,627
	704,422	792,085	825,655

8. Obligation under capital leases

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

	\$
Total minimum lease payments	62,309
Amount representing interest at rates varying between 8.5% and 12.5%	(5,268)
	57,041
Less: current portion	(18,695)
Long-term portion	38,346

Interest expense related to these leases was \$4,389 (2011- \$4,396).

Principal payments due in the next 4 years are as follows:

	\$
2013	18,695
2014	18,647
2015	14,505
2016	5,194
	57,041

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

9. Deferred capital contribution

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Balance, beginning of year	55,089	65,732	500
Capital grants received	20,935	675	21,042
Donated capital assets	-	-	49,827
Amortization of deferred capital contributions	(14,342)	(11,318)	(5,637)
Balance, end of year	61,682	55,089	65,732

10. 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 purchase and sale agreements, 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.

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

11. Lease commitments

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

	\$
2013	548,823
2014	532,996
2015	504,273
2016	502,455
2017	497,612
Beyond	1,246,088
	<hr/> 3,832,247

12. Related party transactions

The Organization acquires printing and creative services for several annual communication pieces with Boss Print + Creative, which is an organization owned by a related person to one of the Organization's senior management members. The transactions between the Organization and Boss Print + Creative are within the Organization's normal course of operations and recorded in operating expenses at the exchange amount. In fiscal 2012, the Organization paid \$161,756 (2011 - \$165,478) and accrued \$12,377 (December 31, 2011 - \$18,528; January 1, 2011 - \$47,774) in relation to services from Boss Print + Creative. Occasionally, Boss Print + Creative also donate promotional goods and services to the Organization at no cost. These goods and services are appropriately recorded in the financial statements at cost or at fair market value, if appropriate and determinable.

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 fiscal 2012, the Organization paid \$548,810 (2011 - \$ 573,859) and accrued \$30,882 (December 31, 2011 - \$21,623; January 1, 2011 - \$37,815) in relation to telecommunication services from Bell Canada; \$54,916 (2011 - \$1,852), accrued \$1,311 (December 31, 2011 - \$1,321; January 1, 2011 - \$Nil) and recognized \$193,782 of contributed services in 2012 in relation to legal services from Osler, Hoskin & Harcourt; \$37,246 (2011 - \$35,549) in relation to banking services from BMO Bank of Montreal; \$28,795 (2011 - \$25,635) and accrued \$291 (December 31, 2011 - \$ 40; January 1, 2011 - \$Nil) in relation to courier services from Purolator; \$10,829 (2011 - \$11,474) in relation to payroll services from Ceridan and \$9,300 (2011 - \$13,581) and accrued \$1,469 (December 31, 2011 - \$11,978; January 1, 2011 - \$Nil) in relation to news wire services from CNW Group. In addition, during the year, the Organization implemented a process to track the redemption of AirMiles used, which resulted in \$83,875 of contributed materials in relation to the donation of AirMiles from LoyaltyOne being recorded in 2012.

13. Externally restricted funds

The Organization manages externally restricted funds of \$55,832 (December 31, 2011: \$55,048; January 1, 2011 - \$54,009) 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.

14. Allocation of expenses

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

Kids Help Phone

Notes to the consolidated financial statements

December 31, 2012 and December 31, 2011

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 bid price 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. Restructuring costs

During 2010 and 2011, the Organization underwent a comprehensive restructuring, which was based on a plan to improve service effectiveness, and to ensure sustainable revenue development for the future. These amounts included termination costs.

17. Government remittances

Included in accounts payable and accrued liabilities is an amount of \$82,985 (December 31, 2011 - \$85,327; January 1, 2011 - \$113,023) representing amounts due to the government relating to payroll and commodity taxes.

18. Interfund transfers

For the year ended December 31, 2012, the Board approved a transfer from Jack Windeler Memorial Fund to the Operating Fund to cover certain projects expensed in Kids Help Phone which were funded by the Jack Windeler Memorial Fund, \$429,587 (2011 - \$231,225).

For the year ended December 31, 2012, the Board approved a transfer from the Operating Fund to Reserve Fund, \$120,000 (2011 - \$330,389).

19. Comparative figures

Government grants totaling \$1,204,866, which were included in General donations and grants in the Consolidated statements of revenue and expenses in 2011, have been re-classified to Government grants to conform with the current year's presentation.

Salaries and employee benefits totaling \$863,944, which were previously recorded in Direct fundraising in the Consolidated statements of revenue and expenses in 2011 have been re-classified to Kids Help Phone service delivery costs (\$263,033) and General and administrative (\$600,911) to conform with the current year's presentation.

Kids Help Phone

Consolidated schedules of expenses

years ended December 31, 2012 and December 31, 2011

	2012	2011
	\$	(Note 19) \$
Kids Help Phone Service Delivery		
Salaries and employee benefits	4,665,092	4,575,817
Kid's Website	102,530	110,594
Telecommunications	313,822	318,358
Knowledge management	1,273	4,911
Youth marketing	62,400	132,445
Rent	242,451	243,277
General and office	151,303	151,122
Insurance	26,719	26,962
Professional fees	184,513	72,073
	5,750,103	5,635,559
Allocation of Kids Help Phone Service Delivery (by fund)		
Operating Fund	5,481,993	5,252,616
Futures Campaign Fund	268,110	365,284
Jack Windeler Memorial Fund	-	17,659
	5,750,103	5,635,559
Youth Engagement Service Delivery		
Salaries and employee benefits	75,792	87,167
General and office	332	6,475
Training	3,206	39,723
Rent	-	22
Travel	54	-
	79,384	133,387
The Jack Project Service Outreach		
Salaries and employee benefits	183,092	80,679
Marketing	8,294	10,961
Office and general	4,863	10,402
Rent	7,188	6,973
Professional fees	2,577	656
Outreach workshops	17,360	3,343
Telecommunications	4,890	5,981
Evaluation	44,373	7,380
	272,637	126,375
Direct fundraising		
Salaries and employee benefits	1,190,374	1,198,513
Events	1,077,009	940,350
General and office	257,173	219,388
Rent	265,338	247,498
Fundraising campaigns	218,955	178,819
Telecommunications	91,775	100,534
Donor marketing	42,667	58,668
Travel	23,686	23,128
Professional fees	60,452	76,252
Insurance	9,699	12,076
Corporate promotions	3,102	309
	3,240,230	3,055,535
Allocation of direct fundraising (by fund)		
Operating Fund	3,209,176	2,965,217
Futures Campaign Fund	1,931	6,243
Jack Windeler Memorial Fund	29,123	84,075
	3,240,230	3,055,535
General and administrative		
Salaries and employee benefits	890,393	1,060,126
Professional fees	124,258	85,979
Bank charges	37,246	47,023
General and office	43,081	35,637
Rent	56,090	45,543
Insurance	15,425	14,952
Telephone	4,200	4,200
	1,170,693	1,293,460
Donor development		
Salaries and employee benefits	142,925	165,712
Donor marketing	22,358	50,361
Fundraising campaign	34,742	54,160
Office and general	386	436
	200,411	270,669

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