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# Financial statements of Kids Help Phone

December 31, 2019

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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, 2019, 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, 2019, 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 revenue from cash received relating to events, 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, 2019 and 2018, current assets as at December 31, 2019 and 2018, and the fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 7, 2020

**Kids Help Phone**  
**Statement of financial position**  
As at December 31, 2019

|  | Notes     | 2019<br>\$        | 2018<br>\$ |
|--|-----------|-------------------|------------|
| <b>Assets</b>                            |           |                   |            |
| Current assets                           |           |                   |            |
| Cash                                     |           | <b>5,468,151</b>  | 2,064,704  |
| Short-term investments                   | 4a        | <b>1,557,347</b>  | 1,048,236  |
| Accounts receivable                      |           | <b>1,062,276</b>  | 2,082,203  |
| Prepaid expenses and other               |           | <b>152,172</b>    | 130,497    |
|  |           | <b>8,239,946</b>  | 5,325,640  |
| <b>Restricted cash and investments</b>   |           |                   |            |
| Kyra Field Memorial Fund                 | 4b and 11 | <b>32,681</b>     | 35,385     |
| Reserve Fund                             | 4b        | <b>3,430,846</b>  | 3,600,000  |
|  |           | <b>3,463,527</b>  | 3,635,385  |
| Capital assets                           |           |                   |            |
|  | 5         | <b>330,903</b>    | 402,359    |
|  |           | <b>12,034,376</b> | 9,363,384  |
| <b>Liabilities</b>                       |           |                   |            |
| Current liabilities                      |           |                   |            |
| Accounts payable and accrued liabilities | 15        | <b>1,320,713</b>  | 1,065,856  |
| Deferred revenue                         | 6         | <b>3,161,561</b>  | 1,047,518  |
|  |           | <b>4,482,274</b>  | 2,113,374  |
| Deferred capital contributions           | 7         | <b>2,512</b>      | 6,760      |
|  |           | <b>4,484,786</b>  | 2,120,134  |
| <b>Fund balances</b>                     |           |                   |            |
| Operating Fund                           |           |                   |            |
| General                                  | 3         | <b>3,788,518</b>  | 3,212,266  |
| Invested in capital assets               |           | <b>328,391</b>    | 395,599    |
| Reserve Fund                             |           | <b>3,400,000</b>  | 3,600,000  |
| Externally restricted fund               |           | <b>32,681</b>     | 35,385     |
|  |           | <b>7,549,590</b>  | 7,243,250  |
|  |           | <b>12,034,376</b> | 9,363,384  |

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, 2019

|   | <b>2019</b>       | 2018       |
|---|-------------------|------------|
|   | <b>\$</b>         | <b>\$</b>  |
| <b>Revenue</b>                                  |                   |            |
| Operating fund                                  |                   |            |
| Events  | <b>6,183,930</b>  | 6,259,726  |
| General donations and grants                    | <b>6,482,362</b>  | 6,665,785  |
| Government grants                               |                   |            |
| Kids Help Phone programs                        | <b>4,539,184</b>  | 3,756,074  |
| Good2Talk program                               | <b>3,373,452</b>  | 3,773,949  |
| Investment income                               | <b>66,992</b>     | 64,084     |
| Other   | <b>82,274</b>     | 40,532     |
| Restricted fund - Kyra Field Memorial           |                   |            |
| General donations and grants                    | <b>1,518</b>      | 386        |
| Investment income                               | <b>283</b>        | 268        |
|   | <b>20,729,995</b> | 20,560,804 |
| <b>Expenses</b>                                 |                   |            |
| Operating fund                                  |                   |            |
| Service delivery costs - Kids Help Phone        |                   |            |
| Kids Help Phone (Schedule A)                    | <b>10,277,402</b> | 9,883,080  |
| Innovation and development (Schedule A)         | <b>233,776</b>    | —          |
| Volunteer engagement (Schedule A)               | <b>182,317</b>    | 201,121    |
| Service delivery costs - Good2Talk (Schedule A) | <b>3,373,452</b>  | 3,773,949  |
| Direct fundraising (Schedule A)                 | <b>4,585,920</b>  | 4,084,296  |
| General and administrative (Schedule A)         | <b>1,605,069</b>  | 1,332,417  |
| Amortization of capital assets                  | <b>165,714</b>    | 185,214    |
| Restricted fund - Kyra Field Memorial           |                   |            |
| General and administrative                      | <b>5</b>          | 4          |
|   | <b>20,423,655</b> | 19,460,081 |
| <b>Excess of revenue over expenses</b>          | <b>306,340</b>    | 1,100,723  |

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

**Kids Help Phone**  
**Statement of changes in fund balances**  
Year ended December 31, 2019

|  |       | Operating Fund   | Internally Restricted Fund | Externally Restricted Fund |                     |                  |           |
|--|-------|------------------|----------------------------|----------------------------|---------------------|------------------|-----------|
|  |       | General          | Invested in capital assets | Reserve                    | Kyra Field Memorial | 2019 Total       |           |
|  | Notes | \$               | \$                         | \$                         | \$                  | \$               |           |
| <b>Fund balances, beginning of year</b>      |       | <b>3,212,266</b> | <b>395,599</b>             | <b>3,600,000</b>           | <b>35,385</b>       | <b>7,243,250</b> | 6,142,527 |
| Excess (deficiency) of revenue over expenses |       | <b>468,782</b>   | <b>(164,238)</b>           | —                          | <b>1,796</b>        | <b>306,340</b>   | 1,100,723 |
| Interfund transfer                           | 16    | <b>204,500</b>   | —                          | <b>(200,000)</b>           | <b>(4,500)</b>      | —                | —         |
| Purchases of capital assets                  |       | <b>(97,030)</b>  | <b>97,030</b>              | —                          | —                   | —                | —         |
| <b>Fund balances, end of year</b>            |       | <b>3,788,518</b> | <b>328,391</b>             | <b>3,400,000</b>           | <b>32,681</b>       | <b>7,549,590</b> | 7,243,250 |

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

## Kids Help Phone

### Statement of cash flows

Year ended December 31, 2019

|  | 2019             | 2018        |
|--|------------------|-------------|
|  | \$               | \$          |
| <b>Operating activities</b>                            |                  |             |
| Excess of revenues over expenses                       | <b>306,340</b>   | 1,100,723   |
| Items not affecting cash                               |                  |             |
| Amortization of capital assets                         | <b>165,714</b>   | 185,214     |
| Loss on disposal of capital assets                     | <b>2,772</b>     | 38,972      |
| Amortization of deferred capital contributions         | <b>(4,248)</b>   | (4,248)     |
| Unrealized gain on restricted investments              | <b>—</b>         | (511)       |
|  | <b>470,578</b>   | 1,320,150   |
| Changes in non-cash working capital items              |                  |             |
| Accounts receivable                                    | <b>1,019,927</b> | (1,543,721) |
| Prepaid expenses and other                             | <b>(21,675)</b>  | (5,251)     |
| Accounts payable and accrued liabilities               | <b>254,857</b>   | 224,764     |
| Deferred revenue                                       | <b>2,114,043</b> | (494,888)   |
|  | <b>3,837,730</b> | (498,946)   |
| <b>Investing activities</b>                            |                  |             |
| Proceeds on sale of short-term investments             | <b>(509,111)</b> | 993,824     |
| Purchases of capital assets                            | <b>(97,030)</b>  | (197,038)   |
| Decrease (increase) in restricted cash and investments | <b>171,858</b>   | (595,940)   |
|  | <b>(434,283)</b> | 200,846     |
| Net increase (decrease) in cash                        | <b>3,403,447</b> | (298,100)   |
| Cash, beginning of year                                | <b>2,064,704</b> | 2,362,804   |
| <b>Cash, end of year</b>                               | <b>5,468,151</b> | 2,064,704   |

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.

*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 |

## **2. Significant accounting policies (continued)**

### *Financial instruments (continued)*

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 employee benefits, telecom and technology, rent, general and office, marketing, insurance, professional fees, and travel 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.

**3. Funds (continued)**

*Reserve Fund*

The Reserve Fund represents funds internally restricted by the Board of Directors to offset potential operating shortfalls of the Organization, or for special projects. 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:*

|                                    | <b>Fair<br/>value<br/>\$</b> | <b>Interest<br/>rate<br/>%</b> | <b>2019<br/>Due date</b> |
|------------------------------------|------------------------------|--------------------------------|--------------------------|
| Guaranteed Investment Certificates | <b>501,678</b>               | <b>Prime</b>                   |                          |
| Guaranteed Investment Certificates | <b>1,055,669</b>             | <b>less 2.70</b>               | <b>Redeemable</b>        |
|                                    | <b>1,557,347</b>             | <b>0.75</b>                    | <b>Redeemable</b>        |
|                                    | Fair<br>value<br>\$          | Interest<br>rate<br>%          | 2018<br>Due date         |
| Guaranteed Investment Certificates | 1,048,236                    | 0.70                           | Redeemable               |

**4. Investments (continued)**

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

|  | Fair<br>value<br>\$ | Interest<br>rate<br>% | 2019<br>Due date |
|--|---------------------|-----------------------|------------------|
| Kyra Field Memorial Fund<br>Restricted cash                  | <b>32,681</b>       | n/a                   | n/a              |
| Reserve Fund   |                     |                       |                  |
| Restricted cash  | <b>11,949</b>       | n/a                   | n/a              |
| Bank of Montreal High Interest Savings                       | <b>843,635</b>      | n/a                   | n/a              |
| Bank of Montreal Step Up Deposit<br>Notes Ext 2023           | <b>243,971</b>      | <b>2.25</b>           | <b>16-Mar-20</b> |
| Bank of Montreal Step Up Deposit<br>Notes Ext 2024           | <b>296,943</b>      | <b>2.00</b>           | <b>22-Mar-20</b> |
| Manulife Bank of Canada Guaranteed<br>Investment Certificate | <b>224,873</b>      | <b>2.40</b>           | <b>22-Jan-20</b> |
| National Bank of Canada Guaranteed<br>Investment Certificate | <b>152,441</b>      | <b>1.96</b>           | <b>3-Mar-20</b>  |
| Bank of Montreal Fixed RTNTS                                 | <b>248,220</b>      | <b>2.29</b>           | <b>23-Jul-22</b> |
| Royal Bank of Canada Guaranteed<br>Investment Certificate    | <b>152,677</b>      | <b>2.15</b>           | <b>3-Mar-21</b>  |
| Covington Equity   | <b>236</b>          | n/a                   | n/a              |
| Royal Bank of Canada Guaranteed<br>Investment Certificate    | <b>254,178</b>      | <b>2.49</b>           | <b>1-May-24</b>  |
| Bank of Montreal TRCO of Canada<br>CIC Annual                | <b>255,649</b>      | <b>2.57</b>           | <b>13-May-24</b> |
| Bank of Montreal Fixed Rate NTS                              | <b>246,015</b>      | <b>2.38</b>           | <b>17-Jun-24</b> |
| Bank of Montreal Step Up Deposit<br>Notes Ext 2026           | <b>246,418</b>      | <b>2.55</b>           | <b>7-May-26</b>  |
| Bank of Montreal Guaranteed<br>Investment Certificate annual | <b>253,641</b>      | <b>2.17</b>           | <b>27-Jan-20</b> |
|  | <b>3,430,846</b>    |                       |                  |
|  | <b>3,463,527</b>    |                       |                  |

**4. Investments (continued)**

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

|  | Fair<br>value<br>\$ | Interest<br>rate<br>% | 2018<br>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        |
| Bank of Montreal Step Up Deposit<br>Notes Ext 2023           | 240,468             | 1.75                  | 16-Mar-23        |
| Bank of Montreal Step Up Deposit<br>Notes Ext 2024           | 290,550             | 1.75                  | 22-Mar-24        |
| Manulife Bank of Canada Guaranteed<br>Investment Certificate | 219,602             | 2.40                  | 22-Jan-20        |
| National Bank of Canada Guaranteed<br>Investment Certificate | 152,254             | 1.81                  | 4-Mar-19         |
| National Bank of Canada Guaranteed<br>Investment Certificate | 152,441             | 1.96                  | 3-Mar-20         |
| Royal Bank of Canada Guaranteed<br>Investment Certificate    | 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              |
|  | <u>3,600,000</u>    |                       |                  |
|  | <u>3,635,385</u>    |                       |                  |

**5. Capital assets**

|                                   | Cost<br>\$              | Accumulated<br>amortization<br>\$ | 2019<br>Net book<br>value<br>\$ | 2018<br>Net book<br>value<br>\$ |
|-----------------------------------|-------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Office furniture and<br>equipment | <b>405,541</b>          | <b>237,188</b>                    | <b>168,353</b>                  | 176,045                         |
| Computers                         | <b>814,727</b>          | <b>673,697</b>                    | <b>141,030</b>                  | 196,403                         |
| Leasehold improvements            | <b>814,092</b>          | <b>792,572</b>                    | <b>21,520</b>                   | 29,911                          |
|                                   | <u><b>2,034,360</b></u> | <u><b>1,703,457</b></u>           | <u><b>330,903</b></u>           | 402,359                         |

**6. Deferred revenue**

|   | <b>2019</b>        | 2018        |
|---|--------------------|-------------|
|   | \$                 | \$          |
| Balance, beginning of year                                    | <b>1,047,518</b>   | 1,542,406   |
| Donations and grants received for special events and programs | <b>11,194,045</b>  | 7,743,803   |
| Recognized in revenue during the year                         | <b>(9,080,002)</b> | (8,238,691) |
| Balance, end of year  | <b>3,161,561</b>   | 1,047,518   |

Deferred revenue is comprised of amounts relating to the following:

|              | <b>2019</b>      | 2018      |
|--------------|------------------|-----------|
|              | \$               | \$        |
| Government   | <b>1,882,777</b> | 304,284   |
| Foundations  | <b>287,953</b>   | 64,500    |
| Corporations | <b>770,416</b>   | 474,947   |
| Events       | <b>220,415</b>   | 203,787   |
|              | <b>3,161,561</b> | 1,047,518 |

**7. Deferred capital contributions**

|  | <b>2019</b>    | 2018    |
|--|----------------|---------|
|  | \$             | \$      |
| Balance, beginning of year                     | <b>6,760</b>   | 11,008  |
| Amortization of deferred capital contributions | <b>(4,248)</b> | (4,248) |
| Balance, end of year                           | <b>2,512</b>   | 6,760   |

**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.

**8. Contingencies and guarantees (continued)**

(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 2030:

|        | \$               |
|--------|------------------|
| 2020   | 959,098          |
| 2021   | 925,458          |
| 2022   | 851,003          |
| 2023   | 835,876          |
| 2024   | 854,275          |
| Beyond | 5,099,460        |
|        | <u>9,525,170</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:

|  | 2019                 | 2018           |
|--|----------------------|----------------|
|  | \$                   | \$             |
| Telecommunication services from Bell Canada      | —                    | 176,659        |
| Legal services from Osler, Hoskin & Harcourt LLP | —                    | 2,081          |
| Banking services from Bank of Montreal           | <b>39,890</b>        | 23,698         |
| Facebook   | <b>2,045</b>         | 5,379          |
|  | <b><u>41,935</u></b> | <u>207,817</u> |

**10. Related party transactions (continued)**

In addition, during the year, the Organization also recognized \$180,001 (\$214,080 in 2018) of contributed legal services from Osler, Hoskin & Harcourt; and \$37,344 (\$59,999 in 2018) of contributed materials in relation to the donation of AirMiles from LoyaltyOne.

**11. Externally restricted funds**

The Organization manages an externally restricted fund of \$32,681 (\$35,385 in 2018) 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, 2019 and 2018, there was nil in borrowings under this credit facility.

**13. Allocation of expenses**

The amount of expenses 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.

*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 \$18,634 (\$23,502 in 2018) representing amounts due to the government relating to payroll and commodity taxes.



**16. Interfund transfers**

During fiscal 2019, the Board of Directors recommended a transfer of \$4,500 (\$4,199 in 2018) made from the Externally Restricted Fund to the General 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 \$200,000 (nil in 2018) from the Reserve Fund to the General Operating Fund and nil (\$600,000 in 2018) from the General Operating Fund to the Reserve Fund.

**17. Subsequent event**

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. As a consequence of the pandemic, the Organization is experiencing increased demand for its services and has been awarded various grants in order to mitigate the financial impacts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of these developments will have on the financial results and condition of the Organization in future periods.

**Kids Help Phone**  
**Schedule A – Schedule of expenses**  
Year ended December 31, 2019

|   | 2019<br>\$        | 2018<br>\$       |
|---|-------------------|------------------|
| <b>Kids Help Phone service delivery</b>           |                   |                  |
| Salaries and employee benefits                    | 7,529,567         | 6,989,555        |
| Kid's website                                     | 172,940           | 175,243          |
| Telecom and Technology                            | 604,544           | 480,647          |
| Youth marketing                                   | 751,635           | 603,624          |
| Rent  | 420,901           | 486,474          |
| General and office                                | 451,251           | 547,338          |
| Insurance   | 47,504            | 32,775           |
| Professional fees                                 | 299,060           | 567,424          |
|   | <b>10,277,402</b> | <b>9,883,080</b> |
| <b>Kids Help Phone innovation and development</b> |                   |                  |
| Salaries and employee benefits                    | 233,776           | —                |
| <b>Kids Help Phone volunteer engagement</b>       |                   |                  |
| Salaries and employee benefits                    | 157,778           | 163,212          |
| General and office                                | 23,659            | 30,221           |
| Training  | 880               | 3,524            |
| Travel  | —                 | 4,164            |
|   | <b>182,317</b>    | <b>201,121</b>   |
| <b>Good2Talk service delivery</b>                 |                   |                  |
| Salaries and employee benefits                    | 2,335,720         | 2,313,280        |
| Marketing   | 225,069           | 449,780          |
| Partnership service agreement                     | 467,457           | 593,290          |
| General and office                                | 119,060           | 106,146          |
| Rent  | 149,516           | 180,904          |
| Professional fees                                 | 11,198            | 55,508           |
| Telecom and Technology                            | 65,432            | 75,041           |
|   | <b>3,373,452</b>  | <b>3,773,949</b> |
| <b>Direct fundraising</b>                         |                   |                  |
| Salaries and employee benefits                    | 1,970,738         | 1,832,702        |
| Events  | 1,073,574         | 873,185          |
| General and office                                | 167,152           | 132,393          |
| Rent  | 180,092           | 176,609          |
| Fundraising campaigns                             | 432,252           | 503,321          |
| Prospect development                              | 174,346           | 139,419          |
| Telecom and Technology                            | 240,066           | 212,635          |
| Marketing   | 263,807           | 31,551           |
| Travel  | 42,161            | 31,639           |
| Professional fees                                 | 11,350            | 119,746          |
| Insurance   | 10,344            | 7,170            |
| Corporate promotions and sponsorship              | 20,038            | 23,926           |
|   | <b>4,585,920</b>  | <b>4,084,296</b> |
| <b>General and administrative</b>                 |                   |                  |
| Salaries and employee benefits                    | 1,106,790         | 869,137          |
| Professional fees                                 | 156,313           | 126,099          |
| Bank charges                                      | 66,489            | 61,568           |
| General and office                                | 151,377           | 157,170          |
| Rent  | 76,926            | 67,922           |
| Insurance   | 9,442             | 7,783            |
| Telecom and Technology                            | 37,732            | 42,738           |
|   | <b>1,605,069</b>  | <b>1,332,417</b> |