

# **The Speech and Stuttering Institute**

**Financial Statements**

**March 31, 2016**

# **The Speech and Stuttering Institute**

## **Financial Statements March 31, 2016**

### **Table of Contents**

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenues and Expenses - Programs Fund	4
Statement of Revenues and Expenses - Pre-School Program Fund	5
Statement of Revenues and Expenses - Operating Fund	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13

## Independent Auditor's Report

To the Members of  
**The Speech and Stuttering Institute**

We have audited the accompanying financial statements of The Speech and Stuttering Institute, which comprise of the statement of financial position as at March 31, 2016 and the statements of revenues and expenses for the Programs Fund, Pre-School Program Fund and Operating Fund, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

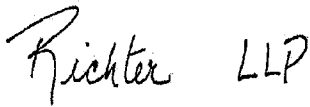
### *Basis for Qualified Opinion*

In common with many charitable organizations, the Institute derives revenues from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Institute and we were not able to determine whether adjustments might be necessary to donation and fundraising activities revenues, excess of revenue over expenses, cash flows from revenues and expenses, assets and net assets for the year ended March 31, 2016. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified similarly because of the possible effects of this limitation in scope.



*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Speech and Stuttering Institute as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The image shows a handwritten signature in black ink that reads "Richter LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
August 2, 2016

# The Speech and Stuttering Institute

## Statement of Financial Position As at March 31, 2016

	<u>Programs Fund</u>	<u>Operating Fund</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 14,796	\$ 202,159	\$ 216,955	\$ 181,349
Short-term investments (note 3)	-	454,911	454,911	455,797
Accounts receivable	6,832	22,500	29,332	6,837
Prepaid expenses	16,127	6,734	22,861	25,742
Sales tax recoverable	21,396	838	22,234	25,662
Due from (to) funds (note 4)	<u>(12,207)</u>	<u>12,207</u>	<u>-</u>	<u>-</u>
	46,944	699,349	746,293	695,387
<b>Leasehold improvements, furniture and equipment (note 5)</b>	<u>19,061</u>	<u>-</u>	<u>19,061</u>	<u>25,445</u>
	<u>\$ 66,005</u>	<u>\$ 699,349</u>	<u>\$ 765,354</u>	<u>\$ 720,832</u>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 10,120	\$ 3,208	\$ 13,328	\$ 18,908
Due to Ontario Ministry of Children and Youth Services	883	-	883	883
Leasehold inducements	<u>5,577</u>	<u>-</u>	<u>5,577</u>	<u>8,764</u>
	16,580	3,208	19,788	28,555
<b>Commitments (note 6)</b>				
<b>Fund balances</b>				
Unrestricted	30,364	696,141	726,505	666,832
Invested in capital assets	<u>19,061</u>	<u>-</u>	<u>19,061</u>	<u>25,445</u>
	49,425	696,141	745,566	692,277
	<u>\$ 66,005</u>	<u>\$ 699,349</u>	<u>\$ 765,354</u>	<u>\$ 720,832</u>

Approved on behalf of the board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# The Speech and Stuttering Institute

## Statement of Revenues and Expenses - Programs Fund For the year ended March 31, 2016

---

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Ontario Ministry of Children and Youth Services	<u>\$ 850,000</u>	<u>\$ 1,019,265</u>
<b>Expenses</b>		
Salaries	718,056	768,727
Occupancy costs (net of amortization of leasehold inducements of \$3,187 (2015 - \$3,187))	140,808	143,741
Employee benefits	77,796	79,528
Printing and office supplies	13,608	11,737
Professional fees	9,523	13,464
Harmonized sales tax	8,605	10,503
Telephone	7,902	7,897
Insurance	6,527	6,170
Amortization - leasehold improvements, furniture and equipment	6,384	7,333
Therapy supplies	3,110	6,203
Staff training	2,915	1,889
Bank charges	2,118	2,003
Postage	1,167	1,586
Equipment maintenance	1,135	2,038
Travel	997	1,015
Public relations	995	374
Office equipment rental	873	1,676
	<u>1,002,519</u>	<u>1,065,884</u>
 <b>Excess of expenses over revenue</b>	 (152,519)	 (46,619)
 <b>Fund balance - beginning of the year</b>	 51,143	 53,798
 <b>Transfer from operating fund</b>	 <u>150,801</u>	 <u>43,964</u>
 <b>Fund balance - end of year</b>	 <u>\$ 49,425</u>	 <u>\$ 51,143</u>

---

See accompanying notes

# The Speech and Stuttering Institute

## Statement of Revenues and Expenses - Pre-School Program Fund For the year ended March 31, 2016

---

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
City of Toronto	<u>\$ 180,000</u>	<u>\$ 150,920</u>
<b>Expenses</b>		
Salaries	129,304	124,616
Professional development	21,979	1,232
Employee benefits	19,212	19,140
Occupancy costs	2,800	-
Insurance	2,123	1,911
Professional fees	2,104	1,185
Program supplies	1,300	1,098
Vehicle mileage	1,178	1,489
Food and accommodation	-	200
Office supplies	-	49
	<u>180,000</u>	<u>150,920</u>
 <b>Fund balance - end of year</b>	 <u><u>\$ NIL</u></u>	 <u><u>\$ NIL</u></u>

# The Speech and Stuttering Institute

## Statement of Revenues and Expenses - Operating Fund For the year ended March 31, 2016

---

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Service revenue	\$ 367,810	\$ 186,340
Donations	190,833	129,578
Workshops	21,447	22,362
Interest	3,728	3,171
Fundraising activities	-	82,016
	<u>583,818</u>	<u>423,467</u>
<b>Expenses</b>		
Salaries	303,285	284,428
Employee benefits	23,529	17,780
Consulting fee - marketing	20,212	42,294
Bank charges and interest	10,577	5,334
Insurance and legal	5,645	4,827
Travel	3,575	2,879
Printing and office supplies	3,300	3,693
Repairs and maintenance	2,698	3,657
Professional and clerical fees	2,374	5,041
Harmonized sales tax	1,211	2,252
Hospitality and promotions	1,007	2,383
Workshop expenses	397	2,025
Occupancy costs	200	1,700
Parking	-	17
	<u>378,010</u>	<u>378,310</u>
<b>Excess of revenues over expenses</b>	<b>205,808</b>	<b>45,157</b>
<b>Fund balance - beginning of year</b>	<b>641,134</b>	<b>639,941</b>
<b>Transfer to Programs Fund</b>	<b>(150,801)</b>	<b>(43,964)</b>
<b>Fund balance - end of year</b>	<b><u>\$ 696,141</u></b>	<b><u>\$ 641,134</u></b>



# The Speech and Stuttering Institute

## Statement of Cash Flows

For the year ended March 31, 2016

---

	<u>2016</u>	<u>2015</u>
<b>Operating activities</b>		
Excess of revenues over expenses (expenses over revenues)		
Programs Fund	\$ (152,519)	\$ (46,619)
Operating Fund	<u>205,808</u>	<u>45,157</u>
	<u>53,289</u>	<u>(1,462)</u>
<b>Adjustments for items not affecting cash</b>		
Amortization - leasehold improvements, furniture and equipment	6,384	7,333
Amortization - leasehold inducements	<u>(3,187)</u>	<u>(3,187)</u>
	<u>3,197</u>	<u>4,146</u>
<b>Changes in non-cash operating working capital</b>		
Accounts receivable	(22,495)	5,943
Prepaid expenses	2,881	12,072
Sales tax recoverable	3,428	(1,265)
Accounts payable and accrued liabilities	(5,580)	(1,300)
Due to City of Toronto	-	(1,817)
Deferred revenue	<u>-</u>	<u>(12,550)</u>
	<u>(21,766)</u>	<u>1,083</u>
	<u>34,720</u>	<u>3,767</u>
<b>Investing activity</b>		
Short-term investments	<u>886</u>	<u>(201,713)</u>
<b>Increase (decrease) in cash</b>	<b>35,606</b>	<b>(197,946)</b>
<b>Cash - beginning of year</b>	<u><b>181,349</b></u>	<u><b>379,295</b></u>
<b>Cash - end of year</b>	<u><b>\$ 216,955</b></u>	<u><b>\$ 181,349</b></u>

---

See accompanying notes

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 1. Purpose of the institute

The Speech and Stuttering Institute, formerly known as the Speech Foundation of Ontario (the "Institute"), was incorporated under Canada not-for-profit Corporations Act without share capital as a registered charitable organization to encourage and support programs involved in the treatment and rehabilitation of communicative disorders in the Province of Ontario.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Institute also applies the Canadian standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

#### Contributions

The Institute follows the restricted fund method of accounting for contributions.

The Programs Fund reports the restricted grant from the Ontario Ministry of Children and Youth Services (the "Ministry") to be used only for the treatment of children with speech disorders.

The Pre-School Program Fund receives funding from the City of Toronto that is restricted to the provision of speech and language therapy to pre-school children.

The Operating Fund accounts for funds donated to the Institute, funds raised from special events, interest earned on short-term investments, all service revenue earned by the Institute from providing various rehabilitation classes to patients with communicative disorders, as well for all costs related to these activities.

Any excess of funding over the related expenses in the Programs Fund and Pre-School Program Fund is repayable to the respective donors.

#### Interfund transfers

Operating shortfalls incurred by the Programs Fund and Pre-School Program Fund are covered by the Operating Fund.

#### Contributed services

The value of volunteer and other services contributed to the Institute is not reported in the financial statements. There is no objective basis available to measure the value of these services and the Institute does not maintain detailed records of these services.

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 2. Summary of significant accounting policies, continued

#### Revenue recognition

Restricted contributions to the Programs Fund and Pre-School Program Fund are recognized as revenues of the appropriate fund in the current period. Unrestricted contributions to the Operating Fund are recognized in the period received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Service revenue and workshops generated by the Operating Fund are recognized when services are rendered, amounts can be reasonably estimated and collectibility is reasonably assured.

#### Leasehold improvements, furniture and equipment

Leasehold improvements, furniture and equipment are accounted for at cost. Amortization is based on their estimated useful life using the following methods, rate and period:

Furniture and equipment	20%	Declining balance
Leasehold improvements	over the lease term	Straight-line

#### Long-lived assets

Long-lived assets, which comprise leasehold improvements, furniture and equipment, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected from use and eventual disposition is less than the carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

#### Income taxes

The Institute is a not-for-profit organization as described in Section 149 (1)(1) of the Income Tax Act and, accordingly, is not subject to either federal or provincial income taxes.

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 2. Summary of significant accounting policies, continued

#### Financial Instruments

##### Measurement

The Institute initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Institute subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to Ontario Ministry of Children and Youth Services.

At year end, the Institute did not have any financial assets or financial liabilities measured at fair value.

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Institute determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the statement of financial position date. The amount of the write-down is recognized in the statement of revenues and expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenses.

##### Transaction costs

The Institute recognizes its transaction costs in the statement of revenues and expenses in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of revenues and expenses using the straight-line method.

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 3. Short-term investments

As at March 31, 2016, the short-term investments, which can be converted to cash at any time, comprise the following:

	<u>2016</u>	<u>2015</u>
BMO Cashable GIC, bearing interest at 0.90% per annum and maturing on July 16, 2018	\$ 100,000	\$ -
BMO Cashable GIC, bearing interest at 0.90% per annum and maturing on July 16, 2018	100,000	-
BMO Cashable GIC, bearing interest at 0.90% per annum and maturing on July 16, 2018	100,000	-
BMO Cashable GIC, bearing interest at 0.90% per annum and maturing on July 16, 2018	100,000	-
CIBC Flexible GIC, bearing interest at 0.6% per annum and maturing on October 17, 2016	52,222	51,808
BMO Cashable GIC, bearing interest at 1.15% per annum and maturing on April 24, 2017	-	200,000
BMO Cashable GIC, bearing interest at 1.15% per annum and maturing on July 14, 2017	-	200,000
Accrued interest	<u>2,689</u>	<u>3,989</u>
	<u>\$ 454,911</u>	<u>\$ 455,797</u>

### 4. Due to (from) funds

The amounts due to (from) funds resulting from the timing differences on funding are non-interest bearing and are due in the subsequent period.

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 5. Leasehold improvements, furniture and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2016</u>	<u>Net 2015</u>
Furniture and equipment	\$ 94,348	\$ 79,166	\$ 15,182	\$ 18,976
Leasehold improvements	<u>20,708</u>	<u>16,829</u>	<u>3,879</u>	<u>6,469</u>
	<u>\$ 115,056</u>	<u>\$ 95,995</u>	<u>\$ 19,061</u>	<u>\$ 25,445</u>

### 6. Commitments

The minimum rental, exclusive of occupancy and escalation charges, payable under the lease for the Institute's premises is approximately as follows:

2017	\$ 100,000
2018	<u>9,000</u>
Total	<u>109,000</u>

### 7. Financial instruments

The Institute is exposed to various risks through its financial instruments. The following analysis provides a measure of the Institute's risk exposure at the statement of financial position date.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Institute does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

#### Interest rate risk

The Institute is exposed to interest rate price risk with respect to its short-term investments which bear a fixed rate of interest. The primary objective of the Institute with respect to its fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

#### Liquidity risk

Liquidity risk is the risk the Institute will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidity. The Institute believes that its recurring financial resources are adequate to cover all its expenditures.

# The Speech and Stuttering Institute

## Notes to the Financial Statements March 31, 2016

---

### 8. Programs Fund statement of operations reconciliation

According to the terms of the Programs Fund funding agreement between the Institute and the Ministry, expenditures for computer equipment, leasehold improvements and leasehold inducement liabilities have been included as operating expenses by the Ministry while Canadian accounting standards for not-for-profit organizations require these items to be capitalized and amortized over their estimated useful lives. Therefore, until these assets and liabilities have been fully amortized for financial statement purposes, there will be differences between the results of operations reported to the Ministry and the results of operations reported in the financial statements. The reconciliation is as follows:

	<u>2016</u>	<u>2015</u>
Excess of expenses over revenues per financial statements	\$ (152,519)	\$ (46,619)
Amortization - leasehold improvements, furniture and equipment	6,384	7,333
Amortization - leasehold inducements	<u>(3,187)</u>	<u>(3,187)</u>
Excess of revenues over expenses (expenses over revenues) for Ministry reporting purposes	<u>\$ (149,322)</u>	<u>\$ (42,473)</u>