

THE TERESA GROUP - CHILD AND FAMILY AID
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE TERESA GROUP - CHILD AND FAMILY AID

We have audited the accompanying financial statements of The Teresa Group - Child and Family Aid (the "Teresa Group"), which comprise the balance sheet as at March 31, 2017, and the statements of operating fund revenues and expenses, changes in net assets and 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 similar organizations, the Teresa Group derives revenue from fund-raising events and donations, 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 Teresa Group. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2017 and 2016, any adjustments might be necessary to revenues, deficiency of revenues over expenses reported in the statement of operating fund revenue and expenses and assets and net assets reported in the balance sheets. This caused us to qualify our audit opinion on the financial statement as at and for the year ended March 31, 2016.

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 Teresa Group - Child and Family Aid as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
May 15, 2017


THE TERESA GROUP - CHILD AND FAMILY AID

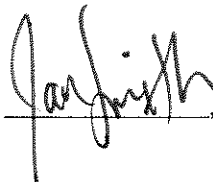
BALANCE SHEET

AS AT MARCH 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	\$ 828,151	\$ 901,089
Short-term deposits (note 2)	344,268	340,313
Accounts and GST/HST receivable (note 5)	23,072	36,003
Prepaid expenses	13,137	27,996
Prepaid CCABA International Coordination Projects expenses (note 5)	5,707	178,580
	<u>1,214,335</u>	<u>1,483,981</u>
Property and equipment (note 3)	63,252	67,027
	<u>1,277,587</u>	<u>1,551,008</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	25,438	81,882
Deferred contributions (note 4)	122,031	70,651
Deferred CCABA International Coordination Projects revenues (note 5)	459,914	598,694
	<u>607,383</u>	<u>751,227</u>
Deferred capital contributions (note 6)	7,164	8,831
	<u>614,547</u>	<u>760,058</u>
Net assets		
Operating fund	168,040	295,950
Contingency reserve	160,000	160,000
Program reserve	335,000	335,000
	<u>663,040</u>	<u>790,950</u>
	<u>\$ 1,277,587</u>	<u>\$ 1,551,008</u>

Approved on behalf of the Board:


_____, President


_____, Treasurer

THE TERESA GROUP - CHILD AND FAMILY AID
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES
YEAR ENDED MARCH 31, 2017

	2017			2016
	General Operations	CCABA International Coordination Projects	Total	Total
Revenues				
Funding from Ontario Ministry of Health and Long Term Care				
General operations (note 7)	\$ 297,482	\$ -	\$ 297,482	\$ 337,519
Infant formula (note 7)	223,872	-	223,872	183,835
Public Health Agency of Canada (Schedule)	81,723	-	81,723	81,723
Human Resources and Skills Development				
Canada funding	2,900	-	2,900	3,328
City of Toronto grant	29,435	-	29,435	28,805
Private sector donations - cash	344,553	-	344,553	388,687
- donations-in-kind	4,945	-	4,945	5,418
Interest	7,702	-	7,702	6,216
Amortization of capital contributions (note 6)	1,667	-	1,667	1,667
Other	57,445	-	57,445	66,075
CCABA International coordination projects	-	542,046	542,046	444,476
	1,051,724	542,046	1,593,770	1,547,749
Expenses				
Program				
Family support	181,039	-	181,039	289,076
Counselling	284,048	-	284,048	168,552
Infant formula (note 7)	229,444	-	229,444	183,835
Volunteer Support Program	86,479	-	86,479	83,776
Tutoring	53,267	-	53,267	22,474
Summer and day camps	96,002	-	96,002	72,153
Scholarships	7,750	-	7,750	10,000
CCABA Project	28,487	-	28,487	23,105
	966,516	-	966,516	852,971
Administrative support and fundraising				
Fundraising	102,760	-	102,760	135,050
General and administration (note 8)	53,902	-	53,902	78,777
Communication and education	36,514	-	36,514	34,395
Amortization of capital assets	11,134	-	11,134	14,900
Donated goods	4,945	-	4,945	5,418
Summer student	3,074	-	3,074	3,596
Board expenses	789	-	789	1,481
	213,118	-	213,118	273,617
CCABA International coordination projects	-	542,046	542,046	444,476
	1,179,634	542,046	1,721,680	1,571,064
Total expenses	1,179,634	542,046	1,721,680	1,571,064
Deficiency of revenues over expenses for the year	\$ (127,910)	\$ -	\$ (127,910)	\$ (23,315)

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2017

	Operating Fund			Internally Restricted		Total	
	Invested in Capital Assets	Unappropriated Balance	Total	Contingency Reserve	Program Reserve	2017	2016
Balance - at beginning of year	\$ 58,196	\$ 237,754	\$ 295,950	\$ 160,000	\$ 335,000	\$ 790,950	\$ 814,265
Deficiency of revenues over expenses for the year	-	(127,910)	(127,910)	-	-	(127,910)	(23,315)
Inter-fund transfers represented by:							
Purchase of property and equipment	7,359	(7,359)	-	-	-	-	-
Amortization of property and equipment	(11,134)	11,134	-	-	-	-	-
Amortization of deferred capital contributions	1,667	(1,667)	-	-	-	-	-
Balance - at end of year	\$ 56,088	\$ 111,952	\$ 168,040	\$ 160,000	\$ 335,000	\$ 663,040	\$ 790,950

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2017

	2017			2016
	General Operations	CCABA International Coordination Projects	Total	Total
Cash flows from operating activities				
Cash received from government sources	\$ 635,412	\$ -	\$ 635,412	\$ 635,210
Cash received from other contributors	399,785	403,266	803,051	940,426
Interest received	7,702	-	7,702	7,487
Cash paid to employees and suppliers	(1,124,186)	(383,603)	(1,507,789)	(1,639,066)
	(81,287)	19,663	(61,624)	(55,943)
Cash flows from investing and financing activities				
Purchase of capital assets	(7,359)	-	(7,359)	(3,440)
Purchase of short term investments	(3,955)	-	(3,955)	(340,313)
Advances to CCABA International Coordination Projects	31,276	(31,276)	-	-
	19,962	(31,276)	(11,314)	(343,753)
Change in cash during the year	(61,325)	(11,613)	(72,938)	(399,696)
Cash and cash equivalents - at beginning of year	436,764	464,325	901,089	1,300,785
Cash and cash equivalents - at end of year	\$ 375,439	\$ 452,712	\$ 828,151	\$ 901,089

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

The Teresa Group - Child and Family Aid (the "Teresa Group") is a registered charitable organization incorporated without share capital under the laws of Ontario. The Teresa Group advances the dignity and well-being of children and their families affected by HIV and AIDS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Assets and Liabilities

The Teresa Group initially measures its financial assets and liabilities at fair value. The Teresa Group subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, short term investments, accounts receivable and accounts payable and accrued liabilities.

Basis of Accounting

General

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the accrual method of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred.

Operating Fund

The operating fund accounts for the day-to-day program delivery and administrative activities funded by various government and private sector organizations and the international symposium projects. All interest income earned is allocated to the operating fund.

Internally Restricted Funds

The Program Reserve Fund was established to maintain existing client service programs in the event of unanticipated funding shortfalls.

Contingency Reserve Fund was established to ensure the long term financial security of The Teresa Group.

These two internally restricted funds are financed by appropriations from the operating fund.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand with Teresa Group and CCABA, as well as money market mutual funds.

Short Term Investments

Short term investments include guaranteed investment certificates which mature within one year.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives on a straight line basis at the following annual rates:

Computers	- 25%
Furniture and other equipment	- 10%
Leasehold improvements	- over the term of the lease

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2017.

Revenue Recognition

The Teresa Group follows the deferral method of accounting for contributions. Contributions include funding from governments and other funding agencies. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Externally restricted contributions for depreciable property and equipment are deferred and amortized over the life of the related capital assets. Externally restricted capital asset contributions that have not been expended are recorded as deferred capital contributions on the balance sheet.

Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the period in which the related expenses are incurred.

Income from the International Symposium is recognized as revenue when the event takes place.

All other revenues are recognized when the income is earned, service is provided or when received. Pledges receivable are not recorded in the accounts.

Funding From Ontario Ministry of Health and Long Term Care

The Teresa Group receives its core funding from the Ontario Ministry of Health and Long Term Care. Funds are advanced on the basis of an approved budget; actual expenses are reviewed by the Ministry after the end of the fiscal year and any unexpended funds are to be refunded. These financial statements reflect the expected settlement with the Ministry at the end of the fiscal year.

Donated Goods and Services

Donated goods are recorded in the financial statements provided that a reasonable estimate of fair value can be made.

Volunteers contribute significant amounts of time to assist The Teresa Group in carrying out its service delivery activities. Because of the difficulty in determining fair value, contributed services are not recorded in the financial statements.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Expenses

The Teresa Group provides programs to assist children and families affected by HIV/AIDS. The cost of these services includes direct salaries and benefits and other expenses that are directly related to providing the programs and services. The Teresa Group also incurs general and administrative support services that are common to the administration and programs.

The Teresa Group allocates certain general support expenses to the programs as follows:

- | | |
|--------------------------|--|
| Human Resources | • Proportionately based on the direct salaries and benefits of the program |
| Occupancy | • Based on space occupied by the personnel and/or program |
| Other operating expenses | • Based on usage of the program |

The expenses reported in the Statement of Operating Fund Revenues and Expenses for programs include allocations of human resources of \$534,459 (\$483,933 - 2016), occupancy costs of \$94,021 (\$88,629 - 2016) and other operating costs of \$29,233 (\$32,624 - 2016).

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Revenues and expenses are translated from foreign currencies at the rate of exchange prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, often as a result of matters that are uncertain, include, among others, useful lives for depreciation and amortization of property and equipment and accrued liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

2. SHORT TERM INVESTMENTS

Short term investments include guaranteed investment certificates earning interest from 1.0% to 1.8% (2016 - 1.2% to 1.8%) with maturity dates from February 12, 2018 to March 8, 2018 (2016 - February 13, 2017).

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

3. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	Cost	Accumulated Amortization	Net Book Value	
			2017	2016
Computers	\$ 74,363	\$ 68,355	\$ 6,008	\$ 2,424
Furniture and other equipment	51,921	42,185	9,736	6,235
Leasehold improvements	100,032	52,524	47,508	58,368
	\$ 226,316	\$ 163,064	\$ 63,252	\$ 67,027

4. DEFERRED CONTRIBUTIONS

Deferred contributions represent the amount of funding received in the current fiscal year that is related to a subsequent fiscal year. Details of the deferred contributions balance are as follows:

	2017	2016
Foundations	\$ 98,000	\$ 51,981
Summer Camp 2017	15,000	-
Special events	-	7,000
Other	9,031	11,670
	\$ 122,031	\$ 70,651

5. CCABA INTERNATIONAL CO-ORDINATION PROJECTS

The Coalition for Children Affected by Aids ("CCABA") is an international project co-ordinated by the Teresa Group. Certain revenues have been advanced to the Teresa Group and certain expenses have been incurred in preparation for upcoming events. These are recorded on the balance sheet as deferred revenues and prepaid expenses respectively. Details of the amounts related to the International Symposium included on the balance sheet are as follows:

	2017	2016
Assets		
Cash	\$ 452,712	\$ 464,325
GST/HST receivable	1,495	14,831
Prepaid expenses		
Meeting costs, communications and other expenses	5,707	178,580
Total	459,914	657,736
Liabilities		
Accounts payable	-	27,767
Deferred revenues	459,914	598,694
Due to general operations	-	31,275
Total	\$ 459,914	\$ 657,736

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property and equipment. The changes in deferred capital contributions are as follows:

	2017	2016
Balance - at beginning of year	\$ 8,831	\$ 10,498
Amortization of deferred capital contributions	(1,667)	(1,667)
Balance - at end of year	\$ 7,164	\$ 8,831

7. FUNDING FROM ONTARIO MINISTRY OF HEALTH AND LONG TERM CARE

In the 2017 and 2016 fiscal years, actual expenses equalled or exceeded the approved funding from the Ontario Ministry of Health and Long Term Care, so that it is not anticipated that any portion will be refundable to the Ministry. Details of the approved funding and amounts spent are as follows:

	2017		2016	
	Approved Funding	Amount Spent	Approved Funding	Amount Spent
General operations				
Salaries	\$ 217,475	\$ 217,475	\$ 230,076	\$ 230,076
Benefits	16,745	16,745	16,745	16,745
Rent and utilities	51,302	51,302	76,302	76,302
Supplies and other expenses	11,006	11,006	13,396	13,396
Protected allocations - staff development	1,000	1,000	1,000	1,000
	297,528	297,528	337,519	337,519
Infant formula				
Formula	202,622	208,240	171,625	171,625
Salaries	19,007	19,007	10,935	10,935
Benefits	2,197	2,197	1,275	1,275
	\$ 223,826	\$ 229,444	\$ 183,835	\$ 183,835

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

8. GENERAL AND ADMINISTRATION EXPENSE

Details of these expenses are as follows:

	2017	2016
Salaries and benefits	\$ 25,382	\$ 47,980
Rent and hydro	4,539	4,133
Telephone and fax	2,134	2,901
Office supplies	2,609	3,591
Professional fees	7,680	8,986
Equipment maintenance	2,769	3,553
Insurance and bonding	7,284	5,385
Postage	219	838
Staff development	269	1,070
Miscellaneous	1,017	340
	<u>\$ 53,902</u>	<u>\$ 78,777</u>

9. LEASE COMMITMENT

The Teresa Group has entered into a lease for office premises, expiring December 31, 2021, with an option to renew for a further five years. The minimum annual rental payments in the next five years are as follows:

2018	\$ 58,358
2019	64,005
2020	64,005
2021	64,005
2022	48,004

In addition, The Teresa Group is liable to pay for its share of operating costs which amounted to \$45,500 in 2017 (\$42,800 - 2016).

10. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Teresa Group is exposed to various risks through its financial instruments. The following analysis provides a measure of the Teresa Group's risk exposure at the balance sheet 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 Teresa Group's main credit risks relate to accounts receivable. The Teresa Group is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Teresa Group will encounter difficulty in meeting obligations associated with financial liabilities. The Teresa Group is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and commitments. The Teresa Group expects to meet these obligations as they come due by generating sufficient cash flow from operations.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

10. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Teresa Group is not exposed to significant other price risks. The Teresa Group is exposed to interest rate and currency risks.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Teresa Group. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise. The Teresa Group is exposed to interest rate risk on its short term investments.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Teresa Group's financial instrument holdings.

The Teresa Group receives a portion of its funding for the CCABA projects in US dollars and pays some of its direct expenses in US dollars. Currency risk is minimized by monitoring foreign currency cash flows.

11. GUARANTEES AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Teresa Group has indemnified its past, present and future directors, officers and employees and volunteers against expenses (including legal expenses), judgments, suits or proceedings in which they are sued as a result of their involvement with The Teresa Group, if they acted honestly and in good faith with a view to the best interest of The Teresa Group. The Teresa Group has purchased directors' and officers' liability insurance with respect to this indemnification. The maximum amount of any potential future payment cannot be reasonably estimated; however, there have been no claims against The Teresa Group's liability insurance in the past.

In the normal course of business, The Teresa Group has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, The Teresa Group agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of The Teresa Group. The maximum amount of any potential liability cannot be reasonably estimated.

12. COMPARATIVE FIGURES

Certain of the comparative figures in the Balance Sheet and Statement of Cash Flows have been reclassified to conform with the financial statement presentation adopted for the current year.

THE TERESA GROUP - CHILD AND FAMILY AID

**SCHEDULE OF REVENUE AND EXPENDITURES
 ACAP VOLUNTEER SUPPORT PROGRAM ENHANCEMENT
 ACAP PROJECT NUMBER 6963-03-2011/4480509
 FUNDED BY THE PUBLIC HEALTH AGENCY OF CANADA**

YEAR ENDED MARCH 31, 2017

	2017		2016	
	Budget	Actual	Budget	Actual
Revenue				
Public Health Agency of Canada - funding for operations	\$ 81,723	\$ 81,723	\$ 81,723	\$ 81,723
Expenditures				
Personnel	60,533	60,409	60,533	60,683
Materials and equipment costs	9,530	9,225	9,530	9,178
Rent and utilities	7,583	8,086	7,583	7,491
Evaluation	4,077	4,003	4,077	4,371
	81,723	81,723	81,723	81,723
Excess of revenue over expenditures for the year	\$ -	\$ -	\$ -	\$ -