

THE TERESA GROUP - CHILD AND FAMILY AID
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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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, 2016, 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 charitable organizations, the Teresa Group receives donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts reported by the Teresa Group and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses for the year ended March 31, 2016, assets and net assets as at March 31, 2016 and 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, if any, the financial statements present fairly, in all material respects, the financial position of The Teresa Group - Child and Family Aid as at March 31, 2016 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 16, 2016




THE TERESA GROUP - CHILD AND FAMILY AID

BALANCE SHEET

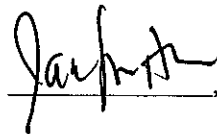
AS AT MARCH 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	\$ 1,241,402	\$ 1,200,785
Short-term deposits	-	100,000
Accounts and GST/HST receivable (note 4)	36,003	34,674
Prepaid expenses	27,996	28,701
Prepaid CCABA International Coordination Projects expenses (note 4)	178,580	59,104
	<u>1,483,981</u>	<u>1,423,264</u>
Property and equipment (note 2)	67,027	78,487
	<u>1,551,008</u>	<u>1,501,751</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	81,882	108,324
Deferred contributions (note 3)	70,651	69,213
Deferred CCABA International Coordination Projects revenues (note 4)	598,694	499,451
	<u>751,227</u>	<u>676,988</u>
Deferred capital contributions (note 5)	8,831	10,498
	<u>760,058</u>	<u>687,486</u>
Net assets		
Operating fund	295,950	319,265
Contingency reserve	160,000	160,000
Program reserve	335,000	335,000
	<u>790,950</u>	<u>814,265</u>
	<u>\$ 1,551,008</u>	<u>\$ 1,501,751</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, 2016

	2016			2015
	General Operations	CCABA International Coordination Projects	Total	Total
Revenues				
Funding from Ontario Ministry of Health and Long Term Care				
General operations (note 6)	\$ 337,519	\$ -	\$ 337,519	\$ 341,675
Infant formula (note 6)	183,835	-	183,835	179,679
Public Health Agency of Canada (Schedule)	81,723	-	81,723	81,723
Human Resources and Skills Development				
Canada - Summer Student	3,328	-	3,328	3,385
City of Toronto grant	28,805	-	28,805	33,210
Private sector donations - cash	388,687	-	388,687	406,811
- donations-in-kind	5,418	-	5,418	10,030
Interest	6,216	-	6,216	8,790
Amortization of capital contributions (note 5)	1,667	-	1,667	1,667
Other	66,075	-	66,075	61,009
CCABA International coordination projects	-	444,476	444,476	849,949
	1,103,273	444,476	1,547,749	1,977,928
Expenses				
Program				
Family support	289,076	-	289,076	273,646
Counselling	168,552	-	168,552	265,624
Infant formula (note 6)	183,835	-	183,835	179,679
Volunteer Support Program	83,776	-	83,776	81,723
Tutoring	22,474	-	22,474	50,911
Summer and day camps	72,153	-	72,153	47,587
Scholarships	10,000	-	10,000	10,000
CCABA Project	23,105	-	23,105	-
	852,971	-	852,971	909,170
Administrative support and fundraising				
Fundraising	135,050	-	135,050	96,415
General and administration (note 7)	78,777	-	78,777	74,608
Communication and education	34,395	-	34,395	42,514
Amortization of capital assets	14,900	-	14,900	16,254
Donated goods	5,418	-	5,418	10,030
Summer student	3,596	-	3,596	3,698
Board expenses	1,481	-	1,481	1,710
	273,617	-	273,617	245,229
CCABA International coordination projects	-	444,476	444,476	849,949
Total expenses	1,126,588	444,476	1,571,064	2,004,348
Deficiency of revenues over expenses for the year	\$ (23,315)	\$ -	\$ (23,315)	\$ (26,420)

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2016

	Operating Fund			Internally Restricted		Total	
	Invested in Capital Assets	Unappropriated Balance	Total	Contingency Reserve	Program Reserve	2016	2015
Balance - at beginning of year	\$ 67,989	\$ 251,276	\$ 319,265	\$ 160,000	\$ 335,000	\$ 814,265	\$ 840,685
Deficiency of revenues over expenses for the year	-	(23,315)	(23,315)	-	-	(23,315)	(26,420)
Inter-fund transfers represented by:							
Purchase of property and equipment	3,440	(3,440)	-	-	-	-	-
Amortization of property and equipment	(14,900)	14,900	-	-	-	-	-
Amortization of deferred capital contributions	1,667	(1,667)	-	-	-	-	-
Balance - at end of year	\$ 58,196	\$ 237,754	\$ 295,950	\$ 160,000	\$ 335,000	\$ 790,950	\$ 814,265

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	2016			2015
	General Operations	CCABA International Coordination Projects	Total	Total
Cash flows from operating activities				
Cash received from government sources	\$ 635,210	\$ -	\$ 635,210	\$ 641,306
Cash received from other contributors	396,706	543,951	940,657	1,207,936
Interest received	7,488	-	7,488	14,739
Cash paid to employees and suppliers	(1,099,711)	(539,961)	(1,639,672)	(1,724,034)
	(60,307)	3,990	(56,317)	139,947
Cash flows from investing and financing activities				
Purchase of capital assets	(3,440)	-	(3,440)	(2,710)
Advances to CCABA International Coordination Projects	6,372	(6,372)	-	-
	2,932	(6,372)	(3,440)	(2,710)
Change in cash during the year	(57,375)	(2,382)	(59,757)	137,237
Cash and short-term deposits - at beginning of year	834,452	466,333	1,300,785	1,163,548
Cash and short-term deposits - at end of year	777,077	463,951	1,241,028	1,300,785
Cash and short-term deposits are comprised of:				
Cash and cash equivalents	777,077	464,325	1,241,402	1,200,785
Short-term deposits	-	-	-	100,000
	\$ 777,077	\$ 464,325	\$ 1,241,402	\$ 1,300,785

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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, 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.

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 2016.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 \$483,933 (\$466,496 - 2015), occupancy costs of \$88,629 (\$91,400 - 2015) and other operating costs of \$32,624 (\$38,989 - 2015).

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
Computers	\$ 70,752	\$ 68,328	\$ 2,424	\$ 2,709
Furniture and other equipment	48,173	41,938	6,235	8,470
Leasehold improvements	100,032	41,664	58,368	67,308
	\$ 218,957	\$ 151,930	\$ 67,027	\$ 78,487

3. DEFERRED CONTRIBUTIONS

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

	2016	2015
Opening balance	\$ 69,213	\$ 51,598
Amount received during the year	70,651	69,213
Amount recognized as revenue during the year	(69,213)	(51,598)
Closing balance	\$ 70,651	\$ 69,213

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

4. CCABA INTERNATIONAL CO-ORDINATION PROJECTS

The Coalition for Children Affected by Aids ("CCABA") is an international project co-ordinated by the Teresa Group. The International Symposium is scheduled every two years with the next symposium to take place in July 2016. Certain revenues have been advanced to the Teresa Group and certain expenses have been incurred in preparation for this event. 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:

	2016	2015
Assets		
Cash	\$ 464,325	\$ 466,333
GST/HST receivable	14,831	13,374
Prepaid expenses		
Meeting costs, communications and other expenses	178,580	59,104
Total	657,736	538,811
Liabilities		
Accounts payable	27,767	856
Deferred revenues	598,694	499,451
Due to general operations	31,275	38,504
Total	\$ 657,736	\$ 538,811

In planning the Symposium, the Teresa Group has reserved a block of hotel rooms. There may be a penalty and/or cancellation fees charged to the Teresa Group if the Symposium is cancelled outside of a specified time frame.

5. 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:

	2016	2015
Balance - at beginning of year	\$ 10,498	\$ 12,165
Amortization of deferred capital contributions	(1,667)	(1,667)
Balance - at end of year	\$ 8,831	\$ 10,498

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

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

In the 2016 and 2015 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:

	2016		2015	
	Approved Funding	Amount Spent	Approved Funding	Amount Spent
General operations				
Salaries	\$ 230,076	\$ 230,076	\$ 223,655	\$ 223,655
Benefits	16,745	16,745	16,745	16,745
Rent and utilities	76,302	76,302	87,122	87,122
Supplies and other expenses	13,396	13,396	13,123	13,123
Protected allocations - staff development	1,000	1,000	1,000	1,000
	337,519	337,519	341,645	341,645
Infant formula				
Formula	171,625	171,625	172,690	172,690
Salaries	10,935	10,935	6,399	6,399
Benefits	1,275	1,275	590	590
	\$ 183,835	\$ 183,835	\$ 179,679	\$ 179,679

7. GENERAL AND ADMINISTRATION EXPENSE

Details of these expenses are as follows:

	2016	2015
Salaries and benefits	\$ 47,980	\$ 44,417
Rent and hydro	4,133	4,145
Telephone and fax	2,901	5,063
Office supplies	3,591	2,019
Professional fees	8,986	8,367
Equipment maintenance	3,553	3,038
Insurance and bonding	5,385	5,071
Postage	838	613
Staff development	1,070	1,066
Miscellaneous	340	809
	\$ 78,777	\$ 74,608

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

8. 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:

2017	\$	45,810
2018		47,337
2019		51,918
2020		51,918
2021		51,918

In addition, The Teresa Group is liable to pay for its share of operating costs which amounted to \$42,800 in 2016 (\$45,590 - 2015).

9. 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.

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 interest rate or other price risks. The Teresa Group is exposed to currency risk.

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.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

10. 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.

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, 2016

	2016		2015	
	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	60,683	60,533	60,533
Materials and equipment costs	9,530	9,178	9,530	9,577
Rent and utilities	7,583	7,491	7,583	7,613
Evaluation	4,077	4,371	4,077	4,000
	81,723	81,723	81,723	81,723
Excess of revenue over expenditures for the year	\$ -	\$ -	\$ -	\$ -