

Consolidated financial statements of

# **Kids Help Phone**

December 31, 2010

# Kids Help Phone

December 31, 2010

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## Independent Auditor's Report

To the Members of Kids Help Phone

We have audited the accompanying consolidated financial statements of Kids Help Phone, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

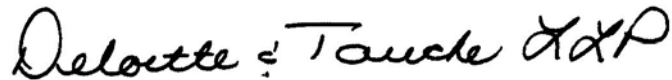
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for Qualified Opinion**

In common with many charitable organizations, Kids Help Phone derives the majority of its revenues from the general public in the form of revenue from donations, sponsorship, special events and promotions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, 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 donations, excess of revenues over expenses for the year, assets and fund balances.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Kids Help Phone at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte Touche LLP". The signature is written in a cursive, flowing style.

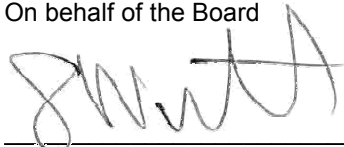
Chartered Accountants  
Licensed Public Accountants  
April 12, 2011

# Kids Help Phone

## Consolidated balance sheet as at December 31, 2010

	2010	2009
	\$	\$
<b>Assets</b>		
Current		
Cash	1,718,895	1,887,723
Short-term investments (Note 5a)	535,414	735,268
Accounts receivable	208,250	318,516
Prepaid expenses and other	161,926	174,264
	<b>2,624,485</b>	<b>3,115,771</b>
Restricted investments (Note 5b)		
Scholarship Fund	-	15,991
Kyra Field Memorial Fund	54,009	58,336
Operating Reserve Fund	1,552,838	1,517,985
Jack Windeler Memorial Fund	466,703	-
Futures Campaign Fund	9,814	410,175
	<b>2,083,364</b>	<b>2,002,487</b>
Capital assets (Note 6)	428,178	245,588
	<b>5,136,027</b>	<b>5,363,846</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	909,444	527,902
Deferred revenue (Note 7)	825,655	982,364
Obligation under capital leases - current (Note 8)	17,981	21,011
	<b>1,753,080</b>	<b>1,531,277</b>
Deferred capital contribution (Note 9)	65,732	500
Obligation under capital leases (Note 8)	76,132	35,895
	<b>1,894,944</b>	<b>1,567,672</b>
<b>Fund balances (Note 4)</b>		
Operating fund		
General	894,382	1,840,610
Invested in capital assets	268,333	188,182
Operating reserve fund	1,547,842	1,282,882
Jack Windeler Memorial Fund	466,703	-
Futures campaign fund	9,814	410,175
Externally restricted funds	54,009	74,325
	<b>3,241,083</b>	<b>3,796,174</b>
	<b>5,136,027</b>	<b>5,363,846</b>

On behalf of the Board



Chair of the Board

Steve Wuthmann



Treasurer

Deb Craven

# Kids Help Phone

## Consolidated statement of revenue and expenses year ended December 31, 2010

			2010	2009
	Operating Fund	Restricted Funds	Total	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Events	5,844,519	3,500	5,848,019	6,012,368
General donations and grants	4,076,484	1,104,166	5,180,650	4,901,075
Corporate promotions	85,540	-	85,540	128,505
Program sponsorship	287,500	-	287,500	280,000
Interest	36,714	2,045	38,759	54,720
Other	498,538	258	498,796	31,354
	<b>10,829,295</b>	<b>1,109,969</b>	<b>11,939,264</b>	<b>11,408,022</b>
<b>Expenses</b>				
Service delivery costs				
Kids Help Phone - Schedule	5,343,317	677,042	6,020,359	6,059,601
Student Ambassador - Schedule	340,383	-	340,383	561,858
Direct fundraising - Schedule	3,895,163	365,723	4,260,886	3,670,823
General and administrative				
- Schedule	703,230	76	703,306	611,102
Donor development - Schedule	437,731	-	437,731	655,278
Amortization of capital assets	111,715	-	111,715	157,594
Loss on disposal of capital assets	11,061	-	11,061	3,731
Interest on obligation under capital leases	6,134	-	6,134	5,246
Scholarship	-	1,000	1,000	1,000
	<b>10,848,734</b>	<b>1,043,841</b>	<b>11,892,575</b>	<b>11,726,233</b>
<b>Excess of revenue over expenses (expenses over revenue) before restructuring costs</b>	<b>(19,439)</b>	<b>66,128</b>	<b>46,689</b>	<b>(318,211)</b>
Restructuring costs (Note 17)				
Service delivery costs - Kids Help Phone	252,542	-	252,542	-
Direct fundraising	355,367	-	355,367	-
	<b>607,909</b>	<b>-</b>	<b>607,909</b>	<b>-</b>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>(627,348)</b>	<b>66,128</b>	<b>(561,220)</b>	<b>(318,211)</b>

# Kids Help Phone

## Consolidated statement of changes in fund balances year ended December 31, 2010

						2010	2009
	Operating funds		Internally board restricted funds			Externally restricted funds	
	General	Capital assets	Operating Reserve Fund	Futures campaign	Jack Windeler Memorial Fund	Total	Total
	\$	\$	\$	\$		\$	\$
<b>Accumulated excess (deficiency) of revenue over expenses, beginning of year</b>	<b>1,840,610</b>	<b>188,182</b>	<b>1,291,427</b>	<b>410,175</b>	<b>-</b>	<b>74,325</b>	<b>4,122,930</b>
Excess (deficiency) of revenue over expenses	(510,210)	(117,139)	-	(400,361)	466,703	(213)	(318,211)
Interfund transfers (Note 4)	(238,728)	-	258,831	-	-	(20,103)	-
Net investment in capital assets	(234,497)	234,497	-	-	-	-	-
Capital lease obligation	37,207	(37,207)	-	-	-	-	-
<b>Accumulated excess of revenue over expenses, end of year</b>	<b>894,382</b>	<b>268,333</b>	<b>1,550,258</b>	<b>9,814</b>	<b>466,703</b>	<b>54,009</b>	<b>3,804,719</b>
<b>Unrealized gain (loss) reported directly in the statement of changes in net assets, beginning of year</b>	<b>-</b>	<b>-</b>	<b>(8,545)</b>	<b>-</b>	<b>-</b>	<b>(8,545)</b>	<b>9,551</b>
Reclassification for losses and (gains) recognized in the statement of operations	-	-	8,545	-	-	8,545	(465)
Change in unrealized loss on investments during the year	-	-	(2,416)	-	-	(2,416)	(17,631)
Unrealized loss reported directly in the statement of changes in net assets, end of year	-	-	(2,416)	-	-	(2,416)	(8,545)
<b>Fund balances, December 31, 2010</b>	<b>894,382</b>	<b>268,333</b>	<b>1,547,842</b>	<b>9,814</b>	<b>466,703</b>	<b>54,009</b>	<b>3,796,174</b>

# Kids Help Phone

## Consolidated statement of cash flows

### year ended December 31, 2010

	2010	2009
	\$	\$
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Excess of (expenses over revenue)	(561,220)	(318,211)
Items not affecting cash		
Amortization of capital assets	111,715	157,594
Loss on disposal of capital assets	11,061	3,731
Amortization of deferred capital contributions	(5,637)	(1,072)
Loss (gain) on sale of investments	8,545	(465)
Donated capital assets	(49,827)	-
Capital contribution- donated capital assets	49,827	-
	(435,536)	(158,423)
Changes in non-cash working capital items		
Accounts receivable	110,266	12,022
Prepaid expenses and other	12,338	(2,239)
Accounts payable and accrued liabilities	381,542	72,480
Deferred revenue	(156,709)	431,154
	(88,099)	354,994
<b>Investing</b>		
Decrease (increase) in short-term investments	199,854	(193,834)
Purchase of capital assets	(255,539)	(81,263)
Kyra Field Memorial Fund - decrease (increase) in investments	4,327	(964)
Operating Reserve Fund - increase in investments	(34,853)	(27,849)
Futures Campaign Fund - decrease in investments	400,361	46,215
Scholarship Fund-decrease in investments	15,991	-
Jack Windeler Memorial Fund- increase in investments	(466,703)	-
Change in unrealized gain on investments	(2,416)	(17,631)
	(138,978)	(275,326)
<b>Financing</b>		
Capital lease obligations assumed	60,836	29,129
Capital grants received	21,042	-
Payment under capital lease obligations	(23,629)	(25,822)
	58,249	3,307
Net (decrease) increase in cash	(168,828)	82,975
Cash, beginning of year	1,887,723	1,804,748
<b>Cash, end of year</b>	<b>1,718,895</b>	<b>1,887,723</b>
<b>Supplemental cash flows information</b>		
Cash interest paid	6,044	6,891



# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 1. Description of the organization

The Organization is comprised of Kids Help Phone ("KHP") and Kids Help Foundation ("KHF"). All of the directors of Kids Help Foundation are also directors of Kids Help Phone.

The mandate of Kids Help Phone is to provide anonymous and confidential professional counselling, referrals and information through technologically-based communications media for Canadian children and youth.

The mandate of Kids Help Foundation, a registered charitable organization, is to improve the health and welfare of Canadian children and their families.

Kids Help Phone and Kids Help Foundation are classified as registered charities under the Income Tax Act and, as such, are not subject to income tax provided certain disbursement requirements are met.

### 2. Changes in accounting policies

#### *Future accounting changes*

In December 2010, the CICA issued accounting standards for Not-for-Profit Organizations (Part III of the CICA Handbook - Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are required to adopt either Part III of the CICA Handbook - Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook - Accounting). Earlier adoption is permitted. The Organization is currently evaluating the impact on its financial statements of the two options.

### 3. Significant accounting policies

#### *Financial statement presentation*

These financial statements are presented on a consolidated basis and include the accounts of Kids Help Phone and Kids Help Foundation. The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants, using the restricted fund method of reporting restricted contributions.

#### *Revenue recognition*

Corporate and sponsorship revenue is recorded in the year to which it relates if the receipt is reasonably assured. Donations revenue is recorded when received. Revenue relating to special events or programs which have not yet occurred is recorded as deferred revenue and recognized as revenue in the year the events occur or program expenses are incurred.

#### *Contributed goods and services*

Donors contribute gifts in kind for use in special fundraising events, which are recognized at their fair market value when such value can be reasonably estimated. Donated property and equipment are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are recorded at fair value when fair value can be reasonably estimated and when the materials and services are normally purchased by the Organization and would be paid for if not donated. Received gifts-in-kind are recognized as revenue and expense when received.

#### *Deferred capital contributions*

Funds received related to capital assets are recorded as deferred capital grants and amortized at the same rate as the related capital asset.

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 3. Significant accounting policies (continued)

#### *Financial instruments*

The Organization has classified its financial instruments as follows:

<u>Asset/liability</u>	<u>Category</u>
Cash	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Restricted investments	Available for sale
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of revenue and expenses in the current period. Available for sale items are carried at fair value and are recognized in the Statement of changes in fund balances. The gain or loss originating from subsequent measurement is recognized in the Statement of changes in fund balances and is transferred to excess (deficiency) of revenue over expenses when the asset is sold. "Loans and receivables" are carried at amortized cost, using the effective interest method, net of any impairment. "Other liabilities" are carried at amortized cost, using the effective interest method. Transaction costs are expensed as incurred.

As allowed under Section 3855 "Financial Instruments - Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and to not account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

#### *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 amortized on a straight-line basis over their average useful lives, which has been estimated at three years for computers and ten years for office furniture and equipment. Assets held under capital lease are amortized over the lease term. Leasehold improvements are amortized over the remaining lease term.

#### *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 significant estimates and assumptions are included in accounts payable and accrued liabilities.

#### *Allocation of expenses*

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

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

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 4. Funds

#### *Operating Fund*

The general portion of the Kids Help Phone Operating Fund (the "Operating Fund") records the day-to-day operations of the Organization.

The capital assets portion of the Operating Fund includes the cost of capital assets acquired less accumulated amortization, the unamortized portion of deferred capital contributions and the outstanding obligations on capital leases.

#### *Operating Reserve Fund*

The Operating Reserve Fund represents funds restricted by the Board of Directors to offset potential operating shortfalls of the Organization. The interest earned on this fund is recorded in the General portion of the Operating Fund.

#### *Futures Campaign Fund*

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

#### *Jack Windeler Memorial Fund*

The Jack Windeler Memorial Fund was set up in March 2010 and represents a fund established by the Board of Directors to develop initiatives to make a significant impact on Canadian youth as they transition from secondary school to post-secondary choices.

#### *Externally Restricted Funds*

Externally Restricted Funds are comprised of the Scholarship Fund and the Kyra Field Memorial Fund.

The Scholarship Fund records donations made in memory of J. Davidson, Jr., and related interest income. The income of the fund is used to present an annual scholarship of \$1,000 to a member of Junior Achievement of Canada. Excess interest income is transferred to the Operating Fund. The fund was closed at the end of 2010 with the balance of funds transferred to Kids Help Phone.

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.

### 5. Investments

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

			2010
	Fair value	Interest rate	Due date
	\$		
Guaranteed Investment Certificate	500,257	1.25%	16-Dec-11
BMO Money Market Fund	35,157	N/A	N/A
	<b>535,414</b>		
			2009
	Fair value	Interest rate	Due date
	\$		
Guaranteed Investment Certificate	700,147	0.85%	22-Dec-10
BMO Money Market Fund	35,121	N/A	N/A
	<b>735,268</b>		

# Kids Help Phone

Notes to the consolidated financial statements

December 31, 2010

## 5. Investments (continued)

b. Restricted investments are comprised of the following:

	Fair value	Interest rate	2010 Due date
	\$	%	
Jack Windeler Memorial Fund			
Cash	466,703	N/A	N/A
Kyra Field Memorial Fund			
Cash	54,009	N/A	N/A
Operating Reserve fund			
Cash	406,534	N/A	N/A
30 Agnico Eagle Mines Ltd	2,307	N/A	N/A
Bank of Montreal			
Step up Bond	100,878	2.00	January 4, 2011
Manulife GIC	236,468	2.40	September 30, 2013
CIBC Step up Bond	250,868	2.00	March 12, 2011
Bank of Montreal			
Step up Bond	300,890	2.25	May 21, 2011
Manulife Coupon	118,029	N/A	October 8, 2012
Manulife Coupon	136,864	N/A	October 8, 2013
	<b>1,552,838</b>		
Futures Campaign Fund			
Cash	9,814	N/A	N/A
	<b>2,083,364</b>		

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

### 5. Investments (continued)

b. Restricted investments are comprised of the following:

	Fair value	Interest rate	2009 Due date
	\$	%	
<b>Scholarship Fund</b>			
Guaranteed investment certificate	15,991	0.85	December 23, 2009
<b>Kyra Field Memorial Fund</b>			
Cash	58,336	N/A	N/A
<b>Operating Reserve Fund</b>			
Cash	115,308	N/A	N/A
200 Colossu Minerals Inc.	1,120	N/A	N/A
Bank of Montreal			
Step up Bond	399,800	2.70	June 24, 2010
Manulife Step up Bond	198,404	2.75	September 15, 2010
Bank of Montreal			
Step up Bond	250,500	2.00	October 9, 2010
Canada Savings Bond			
Series C51 compound interest	396,744	0.40	November 1, 2018
Province of Ontario Coupon	156,109	N/A	March 8, 2010
	<b>1,517,985</b>		
<b>Future Campaign Fund</b>			
Cash	410,175	N/A	N/A
	<b>2,002,487</b>		

### 6. Capital assets

	2010 Cost	2010 Accumulated amortization	2010 Net book value	2009 Net book value
	\$	\$	\$	\$
Office furniture and equipment	472,832	215,927	256,905	124,238
Computers	719,005	675,153	43,852	64,063
Leasehold improvements	661,590	575,865	85,725	14,200
Assets held under capital leases	376,759	335,063	41,696	43,087
	<b>2,230,186</b>	<b>1,802,008</b>	<b>428,178</b>	<b>245,588</b>

During the year, the Organization received a donation of furniture, equipment and leasehold improvements. They are recorded at \$49,827, being the estimated fair market value at the date of acquisition, in accordance with an independent appraisal report.

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 7. Deferred revenue

	2010	2009
	\$	\$
Balance, beginning of year	982,364	551,210
Donations received for special events and programs	1,644,764	1,956,253
Amounts spent on specified events and programs	(1,801,473)	(1,525,099)
Balance, end of year	825,655	982,364

Deferred revenue is comprised of the following:

	2010	2009
	\$	\$
Ontario Ministry of Education	229,286	199,000
Bell Canada	300,000	300,000
Motorola Foundation	99,595	107,500
Healthy Community Funds	51,072	-
Chapters		
British Columbia	54,464	-
Alberta	55,445	176,212
Manitoba/Saskatchewan	-	2,924
Ontario	-	61,972
Quebec	3,166	16,355
Atlantic	32,627	118,401
	825,655	982,364

### 8. Obligation under capital leases

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

	\$
Total minimum lease payments	110,834
Amount representing interest at rates varying between 8.5% and 12.5%	(16,721)
	94,113
Less current portion	(17,981)
Long-term portion	76,132

Interest expense related to these leases was \$6,133 (2009 - \$5,246).

Principal payments due in the next 6 years are as follows:

	\$
2011	17,981
2012	20,265
2013	18,694
2014	19,575
2015	11,959
2016	5,639
	94,113

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 9. Deferred capital contribution

	2010	2009
	\$	\$
Balance, beginning of year	500	1,572
Capital grants received	21,042	-
Donated capital assets	49,827	-
Disposal of capital asset	-	(764)
Amortization of deferred capital contributions	(5,637)	(308)
Balance, end of year	65,732	500

### 10. Contingencies and guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

- (a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) An indemnity has been provided to all directors and/or officers of the Organization for various items including, but not limited, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

# Kids Help Phone

## Notes to the consolidated financial statements

December 31, 2010

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### 11. Lease commitments

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

	\$
2011	504,493
2012	435,696
2013	451,160
2014	443,683
2015	431,779
Beyond	2,130,989
	<u>4,397,800</u>

### 12. Related party transactions

In the normal course of business, KHP from time to time enters into transactions with entities which are related to KHP 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. KHP has a policy which governs transactions with volunteers and conflicts of interest. These transactions were in compliance with the policy.

### 13. Comparative figures

Certain of the comparative figures have been restated to conform to the current year's financial statement presentation. Loss on disposal of capital assets which was previously classified under General and administrative expenses have been presented separately on the Consolidated statement of revenues and expenses.

### 14. Capital disclosures

KHP manages externally restricted funds of \$54,009 (2009 - \$74,325) with conditions stipulated in donor agreements concerning the use of the funds and related income. KHP has complied with the requirements of these restricted funds.

### 15. Allocation of expenses

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

### 16. Fair values and risk management

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Short-term investments are recorded at cost plus accrued income, which approximates fair value.

Restricted investments other than cash are recorded at fair value which is the bid price as of December 31.

#### *Interest rate risk*

The Organization is exposed to interest rate risk on its investments. The Organization does not use any hedging instruments to manage this risk.

#### *Credit rate risk*

The Organization's credit risk is primarily attributable to its accounts receivables. The Organization manages this risk through proactive collection polices.

### 17. Restructuring costs

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



# Kids Help Phone

## Consolidated schedule of expenses

### year ended December 31, 2010

	2010	2009
	\$	\$
<b>Kids Help Phone Service Delivery</b>		
Salaries and employee benefits	4,776,967	4,972,502
Kid's Website	325,894	313,744
Telecommunications	171,329	213,197
Knowledge management	34,030	5,365
Youth marketing	299,803	192,384
Rent	200,439	183,735
General and office	140,036	134,708
Insurance	27,616	28,674
Professional fees	44,245	15,292
	<b>6,020,359</b>	<b>6,059,601</b>
<b>Allocation of Kids Help Phone Service Delivery (by fund)</b>		
Operating Fund	5,343,317	5,460,428
Futures Campaign Fund	658,651	599,173
Jack Windeler Memorial Fund	18,391	-
	<b>6,020,359</b>	<b>6,059,601</b>
<b>Student Ambassador Service Delivery</b>		
Salaries and employee benefits	299,646	473,260
General and office	17,833	30,497
Training	2,848	22,283
Rent	14,819	20,540
Travel	2,509	7,792
Youth marketing	2,728	7,486
	<b>340,383</b>	<b>561,858</b>
<b>Direct fundraising</b>		
Salaries and employee benefits	2,165,229	1,875,670
Events	1,138,258	982,702
General and office	271,932	253,751
Rent	206,000	176,373
Fundraising campaigns	210,442	134,632
Telecommunications	100,963	84,276
Donor marketing	54,076	72,413
Travel	45,444	59,417
Professional fees	53,254	7,375
Insurance	13,877	6,045
Corporate promotions	1,411	18,169
	<b>4,260,886</b>	<b>3,670,823</b>
<b>Allocation of direct fundraising (by fund)</b>		
Operating Fund	3,895,163	3,438,421
Futures Campaign Fund	356,842	232,402
Jack Windeler Memorial Fund	8,881	-
	<b>4,260,886</b>	<b>3,670,823</b>
<b>General and administrative</b>		
Salaries and employee benefits	456,814	393,061
Professional fees	86,010	76,055
Bank charges	44,132	40,062
General and office	55,746	39,148
Rent	42,421	37,800
Insurance	13,983	20,776
Telephone	4,200	4,200
	<b>703,306</b>	<b>611,102</b>
<b>Donor development</b>		
Salaries and employment benefits	308,579	608,324
Donor marketing	9,646	22,833
Fundraising campaign	119,018	14,499
Office and general	488	9,622
	<b>437,731</b>	<b>655,278</b>