
Sarnia-Lambton Children's Aid Society ("SLCAS")

*2015 year-end report
to the Board
Committee*

*Prepared as of
June 12, 2015*





June 12, 2015

Members of the Board Committee
Sarnia-Lambton Children's Aid Society

Dear Members of the Board Committee:

We have substantially completed our audit of the financial statements of Children's Aid Society of the City of Sarnia and the County of Lambton (SLCAS or the organization) prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations for the year ended March 31, 2015. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on June 16th. If you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

A handwritten signature in black ink that reads "Dale Zоргdrager".

Dale Zоргdrager, CPA, CA
Partner
Assurance

c.c.: Dawn Flegel, Executive Director
John Beer, Director of Finance, Information Technology and Administration

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Communications to the Board Committee

<i>Key matters for discussion</i>	<i>Comments</i>
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of distribution mailing include the following:</p> <ul style="list-style-type: none"> • Approval of the financial statements by the Board • Management representation letter • Subsequent events procedures • Receipt of legal letter • Receipt of investment confirmation • Receipt and testing of manual journal entries throughout the year
Significant accounting, auditing and reporting matters discussed with management	
Revenue recognition	<p>The prior year financial statements presented revenue inclusive of amounts that were deferred below the line as a result of the balanced budget fund. We agreed with management to change the comparative presentation of revenue as we determined that the statement of operations as presented was not in accordance with the guidance for revenue recognition under PSAB 4210.31. This also resulted in a reduction of funding source receivable and deferred revenue on the balance sheet. There were other changes to the categorization of revenue line items on the statement of operations as a result of these changes.</p>
Fraud and illegal acts	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to reconfirm that the Board Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Summary of unadjusted and adjusted items	<p>As a result of our audits, we identified a few items for which management agreed to adjust the financial statements but there are no remaining unadjusted items.</p> <p>As a result of our audit, we conclude that the unadjusted items are immaterial to the financial statements taken as a whole.</p> <p>Please see Appendix B for details of the adjusted misstatements.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Internal control recommendations	<p>We have no significant internal control recommendations to report.</p> <p>We do however two items, which we would characterize as relatively minor that we raise for your consideration.</p> <p><u>Passwords</u></p> <p>We noted that password controls and parameters around access to the general ledger are lacking in terms of required periodic changes and with respect to password structure requirements (minimum character requirement, inclusion of numbers, symbols, capitals etc.). While there are compensating controls as it relates to management and oversight review of the financial reporting there is a higher risk that unauthorized transactions could be inappropriately posted to the general ledger or underlying subledgers.</p> <p>We recommend that the organization consider the cost benefit considerations of introducing password parameters related to both timing of required password changes as well as structure of password requirements. This should include a consideration of the capabilities within your Adagio system as well as a consideration of other procedural changes (guidance) if the system functionality cannot force these changes.</p> <p><u>Review of manual journal entries</u></p> <p>We noted that currently manual journal entries are not subject to any type of formal approval by someone, but rather are just entered without formal approval by the preparer of the journal entry. We understand that this is often done informally but not just formally shown as reviewed through initialling the journal entry or otherwise evidencing the review. Given that manual journal entries are a common means to management override of controls, and inherently increase risk as it relates to financial reporting for any organization, best practice would always be that manual journal entries be subject to review and evidenced approval by someone other than the preparer of the journal entry.</p> <p>Recognizing the relatively small size of the finance team at SLCAS we would still encourage management of the organization to consider how they may be able to overlay a formally documented approval of all manual journal entries. The end result can be as simple as a review and signified approval by someone within the finance team other than that individual who prepared the entry.</p>
Independence	<p>We confirm our independence with respect to the organization and are not aware of any relationships that would be reasonably seen to impair our independence in appearance or in fact.</p>

Subsequent events	<p>No subsequent events which would impact the financial statements have come to our attention.</p> <p>We would like to reconfirm that the Board Committee is not aware of any other subsequent events that might affect the financial statements.</p>
<i>Other required communications</i>	<i>Summary</i>
Inclusion of Other matter paragraph in audit opinion	See Appendix A for our draft auditor's report, including an Other Matters paragraph, which is describing that the comparatives were audited by another auditor. This is standard professional practice when there is a change in auditor.

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Draft auditor's report

Children's Aid Society of the City of Sarnia and the County of Lambton

Financial Statements
March 31, 2015

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June 16, 2015

Independent Auditor's Report

To the Board of Directors of Children's Aid Society of the City of Sarnia and the County of Lambton

We have audited the accompanying financial statements of Children's Aid Society of the City of Sarnia and the County of Lambton, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 public sector accounting standards for government 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Children's Aid Society of the City of Sarnia and the County of Lambton as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Other matters

The financial statements of the Children's Aid Society of the City of Sarnia and the County of Lambton for the year ended March 31, 2014 were audited by another auditor who expressed an unqualified opinion on those statements on June 24, 2014.

Chartered Professional Accountants, Licensed Public Accountants

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Statement of Financial Position

As at March 31, 2015

	Child Welfare Fund \$	High Risk Youth Fund \$	Indigenous & Child Abuse Grant Fund \$	Transitional Age Youth Fund \$	Ontario Child Benefit Equivalent Fund \$	Capital Asset Fund \$	Total 2015 \$	Total 2014 \$
Assets								
Current assets								
Cash - unrestricted (note 3)	884,364	6,751	48,385	-	427,328	-	1,366,828	1,739,652
Cash - restricted (note 3)	9,329	-	-	-	-	-	9,329	34,534
Interfund balances	118,813	(627)	(627)	(29,751)	(87,808)	-	-	-
Accounts receivable (note 4)	156,451	-	-	-	-	-	156,451	306,479
Funding source receivable	-	-	-	29,751	-	-	29,751	110,795
Due from Bluewater Foundation (note 10)	9,219	-	-	-	-	-	9,219	14,813
Prepaid expenses	88,857	-	-	-	-	-	88,857	124,924
	1,267,033	6,124	47,758	-	339,520	-	1,660,435	2,331,197
Investments (note 5)	242,400	-	-	-	-	-	242,400	229,800
Capital assets (note 6)	-	-	-	-	-	625,507	625,507	407,624
	1,509,433	6,124	47,758	-	339,520	625,507	2,528,342	2,968,621
Liabilities and Fund Balances								
Current liabilities								
Accounts payable and accrued liabilities (note 16)	1,286,428	-	-	-	-	-	1,286,428	1,463,773
Education fund payable	377,379	-	-	-	-	-	377,379	370,159
Deferred revenue (note 8)	83,230	-	-	-	394,946	-	478,176	623,774
	1,747,037	-	-	-	394,946	-	2,141,983	2,457,706
Deferred capital contributions (note 9)	-	-	-	-	-	625,507	625,507	407,624
	1,747,037	-	-	-	394,946	625,507	2,767,490	2,865,330
Fund (deficit) balance	(237,604)	6,124	47,758	-	(55,426)	-	(239,148)	103,291
	1,509,433	6,124	47,758	-	339,520	625,507	2,528,342	2,968,621

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

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Children's Aid Society of the City of Sarnia and the County of Lambton

Statement of Operations

For the year ended March 31, 2015

	Child Welfare Fund	High Risk Youth Fund	Indigenous & Child Abuse Grant Fund	Transitional Age Youth Fund	Ontario Child Benefit Equivalent Fund	Capital Asset Fund	Total 2015	Total 2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Ministry funding and government grants	16,253,004	-	-	372,225	-	-	16,625,229	16,118,387
Expense recoveries	156,189	-	-	-	-	-	156,189	546,306
Interest	18,461	-	493	-	4,349	-	23,303	12,488
Amortization of deferred capital contributions (note 9)	-	-	-	-	-	190,246	190,246	70,305
Specific grants and revenue	420,517	69	-	-	94,289	-	514,875	211,185
Minor capital grants and specific contributions	63,799	-	-	-	-	-	63,799	-
	<u>16,911,970</u>	<u>69</u>	<u>493</u>	<u>372,225</u>	<u>98,638</u>	<u>190,246</u>	<u>17,573,641</u>	<u>16,958,671</u>
Expenses								
Amortization	-	-	-	-	-	190,246	190,246	70,305
Promotion and publicity	40,219	-	-	-	-	-	40,219	34,687
Miscellaneous	143,796	-	-	-	-	-	143,796	136,808
Office administration	243,067	-	-	-	-	-	243,067	205,146
Professional services - client	354,897	-	-	-	-	-	354,897	357,462
Professional services - non-client	245,599	412	412	-	-	-	246,423	187,733
Occupancy (note 10)	324,566	-	-	-	-	-	324,566	466,419
Board	2,879,300	-	-	372,225	-	-	3,251,525	3,998,097
Health and related services - direct	366,632	-	-	-	-	-	366,632	389,702
Program support	-	-	-	-	-	-	-	14,607
Clients' personal needs	1,174,324	-	-	-	-	-	1,174,324	1,049,526
Training and recruitment	120,219	-	-	-	-	-	120,219	130,173
Travel	838,474	-	-	-	-	-	838,474	707,433
Technology	145,048	-	-	-	-	-	145,048	119,788
Minor capital grants and specific contributions	63,799	-	-	-	-	-	63,799	-
Wages	8,312,746	-	-	-	-	-	8,312,746	7,164,329
Employee benefits (note 12)	1,896,888	-	-	-	-	-	1,896,888	1,704,283
OCBE outcomes	-	-	-	-	119,640	-	119,640	162,602
OCBE lump sum payments	-	-	-	-	59,023	-	59,023	23,956
OCBE structured payments	-	-	-	-	22,895	-	22,895	23,463
Interest	-	-	-	-	1,653	-	1,653	94
	<u>17,149,574</u>	<u>412</u>	<u>412</u>	<u>372,225</u>	<u>203,211</u>	<u>190,246</u>	<u>17,916,080</u>	<u>16,946,613</u>
(Deficiency) excess of revenues over expenses	<u>(237,604)</u>	<u>(343)</u>	<u>81</u>	<u>-</u>	<u>(104,573)</u>	<u>-</u>	<u>(342,439)</u>	<u>12,058</u>

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

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Children's Aid Society of the City of Sarnia and the County of Lambton

Statement of Changes in Fund Balances

For the year ended March 31, 2015

	Child Welfare Fund \$	High Risk Youth Fund \$	Indigenous & Child Abuse Grant Fund \$	Transitional Age Youth Fund \$	Ontario Child Benefit Equivalent Fund \$	Capital Asset Fund \$	Total 2015 \$	Total 2014 \$
Fund balance (deficit) - Beginning of year	-	6,467	47,677	-	49,147	-	103,291	(716,084)
Advance to eliminate deficit	-	-	-	-	-	-	-	807,317
(Deficiency) excess of revenues over expenses	(237,604)	(343)	81	-	(104,573)	-	(342,439)	12,058
Fund (deficit) balance - End of year	(237,604)	6,124	47,758	-	(55,426)	-	(239,148)	103,291

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

Children's Aid Society of the City of Sarnia and the County of Lambton

Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in):		
Operating activities		
(Deficiency) excess of revenues over expenses	(342,439)	12,058
Add (deduct) items not affecting cash:		
Amortization of capital assets	190,246	70,305
Amortization of deferred capital contributions	(190,246)	(70,305)
	<u>(342,439)</u>	<u>12,058</u>
Changes in non-cash working capital balances:		
Accounts receivable	150,028	(94,196)
Funding source receivable	81,044	652,251
Due from Bluewater Children's Foundation	5,594	31,499
Prepaid expenses	36,067	(62,213)
Accounts payable and accrued liabilities	(177,345)	(218,800)
Education fund payable	7,220	16,771
Deferred revenue	(145,598)	(96,651)
	<u>(385,429)</u>	<u>240,719</u>
Financing activities		
Deferred capital contributions received	408,129	113,033
One-time payment received	-	807,317
	<u>408,129</u>	<u>920,350</u>
Investing activities		
Increase in investments	(12,600)	(19,400)
Purchase of capital assets	(408,129)	(113,033)
	<u>(420,729)</u>	<u>(132,433)</u>
(Decrease) increase in cash	(398,029)	1,028,636
Cash - Beginning of year	1,774,186	745,550
Cash - End of year	1,376,157	1,774,186
Cash represented by:		
Cash - unrestricted	1,366,828	1,739,652
Cash - restricted	9,329	34,534
	<u>1,376,157</u>	<u>1,774,186</u>

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

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

1 Nature of the Organization

The Children's Aid Society of the City of Sarnia and the County of Lambton is incorporated under the laws of the Province of Ontario as a corporation without share capital and is not subject to income taxes pursuant to exemptions according to not-for-profit organizations in income tax legislation.

Sarnia-Lambton CAS is responsible for the care and protection of children in the County of Lambton as set out under the provisions of the Ontario Child and Family Services Act, 1990.

2 Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB for Government NPOs).

Fund accounting

Sarnia-Lambton CAS maintains the following funds:

The Child Welfare Fund accounts for revenues and expenses related to program delivery and administrative activities under the Ministry of Child and Youth Services.

The High Risk Youth Fund accounts for revenues and expenditures related to program delivery under this grant program.

The Indigenous & Child Abuse Fund accounts for revenues and expenditures related to program delivery under this grant program.

The Transitional Age Youth Fund accounts for revenues and expenditures related to program delivery under this grant program.

The Ontario Child Benefit Equivalent (OCBE) Fund accounts for revenues and expenditures related to program delivery under this grant program.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Sarnia-Lambton CAS's capital assets.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

Financial instruments

Sarnia-Lambton CAS initially measures its financial assets and financial liabilities at fair value. Sarnia-Lambton CAS subsequently measures all of its financial assets and financial liabilities at amortized cost except for investments which are carried at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, interfund balances, accounts receivable, funding source receivable and due from Bluewater Foundation.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and education fund payable.

Capital assets

Capital assets, including expenditures which improve or prolong the useful lives of the assets, are recorded as assets in the year they are acquired. Amortization is calculated on a straight line basis as follows:

Leasehold improvements	20 years
Vehicle	5 years
Office Equipment	3 years

Amortization is recorded in the Capital Asset Fund. One-half year's amortization is expensed in the year of acquisition.

Revenue recognition

Sarnia-Lambton CAS follows the Deferral Method of accounting for contributions which includes grants and government subsidies.

Operating revenues, including grants and subsidies, are recorded as revenue in the period to which they relate. Revenue earned but not received at the end of the accounting period is accrued. Where a portion of revenue relates to a future period, it is deferred and recognized in that future period.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

Contributed materials and services

Volunteers contribute a significant amount of time each year to assist Sarnia-Lambton CAS in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributed goods that would have otherwise been expenditures of Sarnia-Lambton CAS are recorded at their fair value on the date of the contribution.

Employee benefits

The costs of multi-employer defined pension plan benefits, the Ontario Municipal Employees Retirement System pensions (OMERS), are the employer's contributions due to the plan in the period.

Use of estimates

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates and assumptions that 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 revenues and expenses during the current period. Significant estimates include useful life of capital assets. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

3 Cash

Sarnia-Lambton CAS's bank accounts are held at a chartered bank and earn interest at 1.02%. Restricted cash consists of balances held for certain individuals.

4 Accounts receivable

	2015 \$	2014 \$
Accounts receivable	35,130	36,309
Sales tax rebates receivable	121,321	270,170
	<u>156,451</u>	<u>306,479</u>

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

5 Investments

Sarnia-Lambton CAS's investments consist of Registered Education Savings Plans (RESP) held in trust for qualified children under the care of Sarnia-Lambton CAS as mandated by the Ministry of Children and Youth Services.

6 Capital assets

	2015		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	2,853,298	2,351,284	502,014
Vehicles	173,401	94,678	78,723
Office equipment	95,957	51,187	44,770
	3,122,656	2,497,149	625,507
	2014		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Leasehold improvements	2,465,363	2,218,317	247,046
Vehicles	153,207	62,018	91,189
Office equipment	95,957	26,568	69,389
	2,714,527	2,306,903	407,624

7 Bank indebtedness

Sarnia-Lambton CAS has an operating line of credit with a maximum limit of \$500,000 secured by a General Security Agreement (GSA). The balance of the line of credit was \$Nil at year end (2014 - \$Nil).

Children’s Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

8 Deferred revenue

These amounts represent funding received from various government sources to fund programs administered by Sarnia-Lambton CAS. The funds are to be used to offset future expenditures when incurred by Sarnia-Lambton CAS in respect of delivering these programs.

	2015	2014
	\$	\$
Balance, beginning of year	623,774	570,344
Amount received during the year	4,484	150,082
Amount recognized as revenue during the year	(150,082)	(96,652)
	<hr/>	<hr/>
Balance, end of year	<u>478,176</u>	<u>623,774</u>

9 Deferred capital contributions

	2015	2014
	\$	\$
Balance, beginning of year	407,624	364,896
Grant received during the year	408,129	113,033
Amount recognized as revenue during the year	(190,246)	(70,305)
	<hr/>	<hr/>
Balance, end of year	<u>625,507</u>	<u>407,624</u>

10 Related party transactions

Sarnia-Lambton CAS has a management and economic relationship with Bluewater Children’s Foundation (the Foundation). The objective of the Foundation is to raise funds to support the services/programs of Sarnia-Lambton CAS that are not covered by provincial funding.

During the year, Sarnia-Lambton CAS paid rent and common area maintenance charges in the amount of \$88,867 (2014 - \$16,550) to the Foundation under the terms of a lease for premises in effect until January 15, 2024. Annual lease payments excluding common area maintenance changes are as follows:

	\$
2015 - 2017	66,200
2017 - 2020	68,186
2020 - 2024	70,232

The balance due from the Foundation at March 31, 2015 was interest free and due on demand.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

11 Contingencies

- a) Sarnia-Lambton CAS receives funding from the Ministry of Children and Youth Services. The amount of funding provided to Sarnia-Lambton CAS is subject to final review and approval by the Ministry. Any future adjustments required as a result of this review will be accounted for at that time.
- b) From time to time, Sarnia-Lambton CAS is subject to legal claims arising in the normal course of its operations. It is management's opinion the ultimate resolution of such pending litigation will not have a material effect on the financial position of Sarnia-Lambton CAS.

12 Employee benefits

Employees are eligible to be members of OMERS, which provides defined pension benefits to employees based on their length of services and rates of pay. During the year, Sarnia-Lambton CAS contributed \$681,559 (2014 - \$644,612).

13 Economic dependence

The general operations of Sarnia-Lambton CAS are dependent on the Province of Ontario as it provides most of Sarnia-Lambton CAS's funding.

14 Balanced Budget Fund

The Ministry of Children and Youth Services has created the "Balanced Budget Fund" to support Children's Aid Societies in meeting the balanced budget requirement set out in Regulation 70 and to proactively manage the risks associated with a multi-year budget planning process. The Balanced Budget Fund will be developed on an individual CAS basis, in an amount up to each CAS's accumulated excess of revenues over expenditures (surplus) that has been returned to the Ministry following the implementation of the new funding model in 2013-2014. In order to be eligible to access these funds in a future year, Sarnia-Lambton CAS must meet two conditions: (1) Sarnia-Lambton CAS must have generated a prior year surplus recovered in or after 2013-2014; and (2) in a subsequent year ended March 31, 2014, Sarnia-Lambton CAS requires additional funding in an amount up to its total accumulated prior year surplus to balance its budget. During the year ended March 31, 2014, Sarnia-Lambton CAS generated a surplus of \$1,146,614 that may be eligible for access in a future year.

15 Financial instruments

Risks and concentrations

Sarnia-Lambton CAS is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of Sarnia-Lambton CAS's risk exposure as at March 31, 2015. Unless otherwise stated, there have been no significant changes from the previous year in exposure to risk or policies, procedures and methods used to measure the risk.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2015

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting cash outflow obligations as they come due. Sarnia-Lambton CAS is exposed to this risk mainly in respect of its accounts payable and education fund payable. Sarnia-Lambton CAS mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

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. Sarnia-Lambton CAS is exposed to this risk mainly in respect of its accounts receivable. Accounts receivable are mainly due from Ministry-funded entities. Sarnia-Lambton CAS measures its exposure to credit risk based on how long the amounts have been outstanding. No accounts receivable are in arrears.

16 Government remittances

As at March 31, 2015, outstanding statutory remittances for payroll and harmonized sales taxes included in accounts payable were \$Nil (2014 - \$29,601).

17 Child Welfare Fund reconciliation for Ministry requirements

	2015
	\$
Deficit per statement of operations	(237,604)
Adjustments required for financial statements not required for Ministry reporting	<u>237,604</u>
Surplus (deficit) as reported to Ministry	<u>-</u>

18 Comparative balances

Certain of the prior year comparative balances have been restated to conform to the current year financial statement presentation.

Appendix B: Summary of unadjusted and adjusted items

a. Unadjusted items

As a result of our audit, all items we noted which had an impact on the statement of financial position and statement of operations were adjusted by management and as such we have no unadjusted items to report.

As a result of our audit, we conclude that the unadjusted items are immaterial - individually and in total - to the financial statements taken as a whole.

b. Adjusted items

1. To adjust the statement of financial position as at March 31, 2015 related to the changes in revenue recognition (note the comparatives were also retroactively restated)

Dr.	Funding source receivable	\$1,146,613
Cr.	Deferred and unearned revenue	\$1,146,613

2. To set up funding for capital asset additions as deferred capital contributions

Dr.	Revenue	\$408,129
Cr.	Deferred and unearned revenue	\$408,129

3. To record amortization of deferred capital contributions for the year

Dr.	Deferred and unearned revenue	\$190,246
Cr.	Amortization of deferred capital contributions	\$190,246

Appendix C: Management representation letter

[Client Letterhead]

June 12, 2015

PricewaterhouseCoopers LLP
465 Richmond Street, Suite 300
London, Ontario
N6A 5P4

We are providing this letter in connection with your audit of the financial statements of the Sarnia-Lambton Children's Aid Society (SLCAS) as of March 31, 2015 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations, the changes in net assets and the cash flows of SLCAS in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 19, 2015. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations;
- We are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards for government not-for-profit organizations and disclosures otherwise required to be included therein by the laws and regulations to which SLCAS is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items

written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa.

Accounting policies

We confirm that we have reviewed SLCAS's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in SLCAS's particular circumstances to present fairly in all material respects its financial position, results of operations, changes in net assets and cash flows in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure material information relating to SLCAS is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside of the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors.
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by SLCAS with third parties have been properly reflected in the accounting records and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting SLCAS involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting SLCAS's financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We are not aware of any illegal or possibly illegal acts committed by SLCAS's directors, officers or employees acting on SLCAS's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by SLCAS in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with SLCAS's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with The Chartered Professional Accountants of Canada (CPA Canada) Handbook, Part II, Section 1508, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of SLCAS's related parties as defined by the CPA Canada Handbook, Part III, Section 4460, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*, and all the related party relationships and transactions.

The identity, relationship, balances and transactions with related parties have been properly recorded under Accounting Standards for Not-for-Profit Organizations, and have been adequately disclosed in the financial statements, as required by CPA Canada Handbook, Part III, Section 4460, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards for government not-for-profit organizations. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which SLCAS is contingently liable in accordance with the CPA Canada Handbook, Part II, Accounting Guideline 14, *Disclosure of Guarantees*, or the CPA Canada Handbook, Part II, Section 3290, *Contingencies*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards for government not-for-profit organizations, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of this letter, the term "material" means any item referred to in this letter, individually or the aggregate that are more than 26,800. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

The adjusted misstatements identified during your audit have been approved by SLCAS and adjusted in the financial statements.

Events after balance sheet date

We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of SLCAS.

All cash balances are under the control of SLCAS, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts which are not the property of SLCAS.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of SLCAS are included in the financial statements as at March 31, 2015.

Accounts receivable

All amounts receivable by SLCAS were recorded in the books and records.

Receivables classified as current do not include any material amounts that are collectible after one year.

All contributions receivable, including government funding receivables, that are recorded in the statement of financial position are reasonably assured of collection and we have made you aware of all

relevant facts and circumstances in making this determination. Recognized contributions receivable do not include any bequests.

Receivables (other than contributions receivable accounted for in accordance with the CPA Canada Handbook, Part III, Section PS 4420, Contributions Receivable) recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts.

Amounts receivable that are non-interest bearing and are expected to be paid more than a year after initial recognition date have been initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

Contributions

We have recorded all contributions received during the period in the financial statements. We confirm that contributions received in the year have been recognized as revenue in the appropriate fund only when the contribution was unrestricted or the externally imposed restrictions have been met in the period. We have disclosed to you the existence and nature of all external restrictions on material contributions received in the period.

Deferred revenue and deferred contributions

All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Yours truly,

Sarnia-Lambton Children's Aid Society

John Beer, Director of Finance, IT, and Administration

Appendix D: Other appendices

Achieving Cyber Resilience in a hyper-connected world

86% of CEOs identified technological advances will transform their business in the coming five years but71% of CEOs see cyber insecurity as a threat to their business prospects.

**Source 17th Annual PwC Global CEO Survey*

Why Cyber security matters?

- The total number of security incidents detected by PwC survey respondents climbed to **42.8 million** this year, an increase of 48% over 2013. The survey data also shows that the compound annual growth rate of detected security incidents has **increased 66%** year over year since 2009.
- More than 3000 organizations were notified by governments in 2014 of attacks.
- Compromises of retailers culminate in a recent breach of **56 million credit cards** and customer information.
- Heartbleed defect results in the **loss of 4.5 million** personal healthcare records.
- More than half of **global securities exchanges** are hacked.
- **Current and former employees** are the most-cited culprits of security incidents. Compromises attributed to **third parties with trusted access** increases as well in 2014

The impact is real

The results of the PwC Global State of Information Security Survey 2015 show that the impact to organizations is real.

- As security incidents grow in frequency, the costs of managing and mitigating breaches also are rising.
- Globally, the annual estimated reported average financial loss attributed to cybersecurity incidents was \$2.7 million, a jump of 34% over 2013.
- Big losses are more common: Organizations reporting financial hits of \$20 million or more increased 92% over 2013.
- Annual financial losses attributed to cybersecurity incidents **increased 34%** over 2013.
- Customer and employee data were still the largest compromised during this period.

What questions the Board and CEOs should be asking?



How can PwC assist you?



Breach Indicator Assessment

Are you compromised and you do not know it?

This assessment will quickly identify indicators of a compromise in your organizations' environment for immediate remediation and incident response. It will also identify gaps in your investigation and provide recommendations to enhance it.



Cyber Security Maturity Assessment

How prepared are you to respond to an incident?

This assessment will evaluate the security strengths and weaknesses in your environment, raise awareness of key security issues and associated risks, and identify areas for remediation for management's focus. It will also benchmark your organization against its peers by geography and by industry.

