

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

Financial Statements
March 31, 2016

June 29, 2016

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, 2016 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.

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

We believe that the audit evidence we have obtained in our audit 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, 2016 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.

Chartered Professional Accountants, Licensed Public Accountants

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

Statement of Financial Position

As at March 31, 2016

	Child Welfare Fund \$	Transitional Age Youth Fund \$	Ontario Child Benefit Equivalent Fund \$	Capital Asset Fund \$	Total 2016 \$	Total 2015 \$
Assets						
Current assets						
Cash - unrestricted (note 3)	273,926	-	229,247	-	503,173	1,366,828
Cash - restricted (note 3)	369,063	-	-	-	369,063	251,729
Interfund balances	151,438	(103,905)	(47,533)	-	-	-
Accounts receivable (note 4)	126,533	-	-	-	126,533	156,451
Funding source receivable (note 12)	731,633	103,905	-	-	835,538	37,351
Due from Bluewater Foundation (note 8)	10,316	-	-	-	10,316	9,219
Prepaid expenses	116,449	-	-	-	116,449	88,857
	1,779,358	-	181,714	-	1,961,072	1,668,035
Capital assets (note 5)	-	-	-	796,052	796,052	625,507
	1,779,358	-	181,714	796,052	2,757,124	2,535,942
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities (note 14)	1,557,946	-	-	-	1,557,946	1,294,028
Education fund payable (note 7)	469,559	-	-	-	469,559	377,379
Deferred revenue (note 7)	159,237	-	235,596	-	394,833	478,176
	2,186,742	-	235,596	-	2,422,338	2,149,583
Deferred capital contributions	-	-	-	796,052	796,052	625,507
	2,186,742	-	235,596	796,052	3,218,390	2,775,090
Fund (deficit) balance	(407,384)	-	(53,882)	-	(461,266)	(239,148)
	1,779,358	-	181,714	796,052	2,757,124	2,535,942
Contingencies (note 9)						

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 Operations

For the year ended March 31, 2016

	Child Welfare Fund \$	Transitional Age Youth Fund \$	Ontario Child Benefit Equivalent Fund \$	Capital Asset Fund \$	Total 2016 \$	Total 2015 \$
Revenues						
Ministry funding and government grants (note 11)	17,096,586	254,522	-	-	17,351,108	16,625,229
Expense recoveries	148,572	-	-	-	148,572	156,189
Interest	14,491	-	-	-	14,491	23,303
Amortization of deferred capital contributions	-	-	-	227,093	227,093	190,246
Specific grants and revenue	375,564	-	219,060	-	594,624	514,875
Minor capital grants and specific contributions	68,442	-	-	-	68,442	63,799
	17,703,655	254,522	219,060	227,093	18,404,330	17,573,641
Expenses						
Amortization	-	-	-	227,093	227,093	190,246
Promotion and publicity	19,704	-	-	-	19,704	40,219
Miscellaneous	146,063	-	-	-	146,063	143,796
Office administration	238,202	-	-	-	238,202	243,067
Professional services - client	372,540	-	-	-	372,540	354,897
Professional services - non-client	183,382	-	-	-	183,382	246,423
Occupancy (note 8)	705,486	-	-	-	705,486	324,566
Board	3,094,697	-	-	-	3,094,697	3,251,525
Health and related services - direct	269,314	-	-	-	269,314	366,632
Clients' personal needs	1,167,024	-	-	-	1,167,024	1,174,324
Training and recruitment	126,460	-	-	-	126,460	120,219
Travel	735,720	-	-	-	735,720	838,474
Technology	145,494	-	-	-	145,494	145,048
Minor capital grants and specific contributions	68,442	254,522	-	-	322,964	63,799
Wages	8,543,318	-	-	-	8,543,318	8,312,746
Employee benefits (note 10)	2,111,471	-	-	-	2,111,471	1,896,888
OCBE outcomes	-	-	155,599	-	155,599	119,640
OCBE lump sum payments	-	-	45,850	-	48,850	59,023
OCBE structured payments	-	-	15,585	-	15,585	22,895
Interest	-	-	482	-	482	1,653
	17,927,317	254,522	217,516	227,093	18,626,448	17,916,080
(Deficiency) excess of revenues over expenses	(223,662)	-	1,544	-	(222,118)	(342,439)

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 Changes in Fund Balances

For the year ended March 31, 2016

	Child Welfare Fund \$	High Risk Youth Fund \$	Indigenous & Child Abuse Fund \$	Transitional Age Youth Fund \$	Ontario Child Benefit Equivalent Fund \$	Capital Asset Fund \$	Total 2016 \$	Total 2015 \$
Fund balance (deficit)- Beginning of year	(237,604)	6,124	47,758	-	(55,426)	-	(239,148)	103,291
Transfer of fund balance	53,882	(6,124)	(47,758)	-	-	-	-	-
(Deficiency) excess of revenues over expenses	(223,662)	-	-	-	1,544	-	(222,218)	(342,439)
Fund (deficit) balance - End of year	(407,384)	-	-	-	(53,882)	-	(461,266)	(239,148)

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, 2016

	2016 \$	2015 \$
Cash provided by (used in):		
Operating activities		
(Deficiency) excess of revenues over expenses	(222,118)	(342,439)
Add (deduct) items not affecting cash:		
Amortization of capital assets	227,093	190,246
Amortization of deferred capital contributions	(227,093)	(190,246)
	(222,118)	(342,439)
Changes in non-cash working capital balances:		
Accounts receivable	29,918	150,028
Funding source receivable	(798,187)	73,444
Due from Bluewater Children's Foundation	(1,097)	5,594
Prepaid expenses	(27,592)	36,067
Accounts payable and accrued liabilities	263,918	(169,745)
Education fund payable	92,180	7,220
Deferred revenue	(83,343)	(145,598)
	(746,321)	(385,429)
Investing activities		
Deferred capital contributions received	397,638	408,129
Purchase of capital assets	(397,638)	(408,129)
	-	-
(Decrease) increase in cash during the year	(746,321)	(385,429)
Cash - Beginning of year	1,618,557	2,003,986
Cash - End of year	872,236	1,618,557
Cash represented by:		
Cash - unrestricted	503,173	1,366,828
Cash - restricted	369,063	251,729
	872,236	1,618,557

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

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1 Nature of the Organization

The Children's Aid Society of the City of Sarnia and the County of Lambton (Sarnia-Lambton CAS) 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 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.

During the year, the High Risk Fund and the Indigenous & Child Abuse Grant Fund were eliminated. The fund balances were transferred to the Child Welfare Fund.

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

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Financial instruments

Sarnia-Lambton CAS initially measures its financial assets and financial liabilities at fair value, and subsequently at amortized cost.

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

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.

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Notes to Financial Statements

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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

Costs related to the employer contributions to the Ontario Municipal Employees Retirement System (OMERS) pension plan, a multi-employer defined benefit plan, are recorded as an expense in the period the contribution was made by Sarnia-Lambton CAS.

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 Restricted cash

Restricted cash consists of balances of \$16,510 (2015 - \$9,329) held on behalf of certain individuals and \$352,553 (2015- \$242,400) deposited in a Registered Education Savings Plan (RESP) held in trust for qualified children under the care of Sarnia-Lambton CAS as mandated by the Ministry of Children and Youth Services (MCYS).

4 Accounts receivable

	2016 \$	2015 \$
Accounts receivable	20,271	35,130
Sales tax rebates receivable	106,262	121,321
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	126,533	156,451

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

Notes to Financial Statements

March 31, 2016

5 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	3,159,315	2,494,152	665,163
Vehicles	215,511	137,781	77,730
Office equipment	145,468	92,309	53,159
	3,520,294	2,724,242	796,052

	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

6 Bank indebtedness

Sarnia-Lambton CAS has an operating line of credit with a maximum limit of \$500,000 secured by a general security agreement. The balance of the line of credit was \$Nil at year end (2015 - \$Nil).

7 Externally restricted contributions

Sarnia-Lambton CAS receives certain contributions which have external restrictions limiting their use:

- i. Any amounts received by the MCYS in respect of the Ontario Child Benefit must be spent on specific costs within that program. During the year, Sarnia-Lambton CAS received \$108,645 (2015 - \$94,289). At year end, there is a deferred revenue balance of \$235,596 (2015 - \$394,946) of amounts to be spent and recognized in future years.
- ii. Sarnia-Lambton CAS received funding from the MCYS to be held in an RESP on behalf of qualified children. During the year, Sarnia-Lambton CAS received \$92,180 (2015 - \$15,100). At year end, there is a restricted cash balance as described in note 3 along with an education fund payable of \$469,559 (2015 - \$377,379). The difference between these two balances relates to cash that has been received by Sarnia-Lambton CAS that has not yet been formally deposited into an RESP account.

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

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8 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 \$84,365 (2015 - \$88,867) 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, 2016 was interest free and due on demand.

9 Contingencies

Sarnia-Lambton CAS receives funding from the MCYS. 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.

There are three outstanding legal claims against Sarnia-Lambton CAS. In all cases, the likelihood of loss is not determinable by management, and there is uncertainty surrounding the amount of exposure as a result of these claims due to a difficulty in determining whether adequate insurance coverage was in place. As a result, there has been no accrual recorded in the financial statements for these legal claims.

10 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. Sarnia-Lambton CAS accounts for this plan in a similar manner to a defined contribution plan since insufficient information is available for the normally required disclosure elements in a defined benefit plan, such as plan deficit or surplus. During the year, Sarnia-Lambton CAS contributed \$747,064 (2015 - \$681,559).

11 Economic dependence

Sarnia-Lambton CAS has an economic dependence on the Province of Ontario due to the significant amount of funding received. During the year, Sarnia-Lambton CAS recognized revenue of \$17,351,108 (2015 - \$16,625,229) as a result of funding provided by this source.

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12 Balanced Budget Fund

MCYS 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.

As at March 31, 2016, Sarnia-Lambton CAS has recorded a receivable for \$731,633 (2015 - \$Nil) for amounts expected to be recovered within this Balanced Budget Fund, resulting in a remaining balance of \$414,980 (2015 - \$1,146,613) which Sarnia-Lambton CAS could have access to in future years.

13 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, 2016. 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.

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.

14 Government remittances

As at March 31, 2016, outstanding statutory remittances for payroll and harmonized sales taxes included in accounts payable were \$Nil (2015 - \$Nil).

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Notes to Financial Statements

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15 Child Welfare Fund reconciliation for Ministry requirements

	2016 \$
Deficit per statement of operations	223,662
Adjustments required for financial statements not required for Ministry reporting	<u>222,551</u>
Deficit as reported to Ministry	<u>1,111</u>

16 Comparative period balances

The presentation of certain comparative period balances has been amended to conform to the current period presentation.

