

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

Financial Statements
March 31, 2018



July 31, 2018

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, 2018 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 is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

PricewaterhouseCoopers LLP

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, 2018

	Child Welfare Fund \$	Other Funds \$	Total 2018 \$	Total 2017 \$
Assets				
Current assets				
Cash - unrestricted	1,515,841	160,893	1,676,734	1,292,652
Cash - restricted (note 3)	245,448	-	245,448	246,840
Interfund balances	40,298	(40,298)	-	-
Accounts receivable (notes 4 and 8)	426,820	-	426,820	356,299
Funding source receivable (note 12)	66,619	-	66,619	387,150
Prepaid expenses	78,396	-	78,396	78,391
	2,373,422	120,595	2,494,017	2,361,332
Capital assets (note 5)	-	578,015	578,015	752,875
	2,373,422	698,610	3,072,032	3,114,207
Liabilities and Fund Balances				
Current liabilities (note 6)				
Accounts payable and accrued liabilities (note 14)	1,444,033	-	1,444,033	1,708,225
Education fund payable (note 7)	447,998	-	447,998	394,893
Deferred revenue (note 7)	162,909	304,252	467,161	423,494
	2,054,940	304,252	2,359,192	2,526,612
Deferred capital contributions (note 7)	-	461,219	461,219	752,875
	2,054,940	765,471	2,820,411	3,279,487
Fund (deficit) balance				
Child Welfare Fund	318,482	-	318,482	(111,398)
Ontario Child Benefit Equivalent Fund	-	(66,861)	(66,861)	(53,882)
	318,482	(66,861)	251,621	(165,280)
	2,373,422	698,610	3,072,032	3,114,207

Contingencies (note 9)

Approved by the Board of Directors

_____ Director _____ Director

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, 2018

	Child Welfare Fund \$	Other Funds \$ (note 16)	Total 2018 \$	Total 2017 \$
Revenues				
Ministry funding and government grants (note 11)	15,171,271	96,767	15,268,038	16,563,872
Expense recoveries	397,128	-	397,128	329,632
Interest	32,734	-	32,734	12,551
Amortization of deferred capital contributions (note 7)	-	291,656	291,656	235,268
Specific grants and revenue	258,060	194,573	452,633	444,380
	<u>15,859,193</u>	<u>582,996</u>	<u>16,442,189</u>	<u>17,585,703</u>
Expenses				
Amortization of capital assets	-	304,635	304,635	235,268
Promotion and publicity	34,840	-	34,840	17,345
Miscellaneous	181,228	-	181,228	153,758
Office administration	180,294	-	180,294	235,925
Professional services - client	326,275	-	326,275	343,182
Professional services - non-client	123,724	-	123,724	222,964
Occupancy (note 8)	332,314	169,700	502,014	381,591
Board	1,695,041	96,767	1,791,808	2,693,325
Health and related services - direct	231,118	-	231,118	169,665
Clients' personal needs	1,077,256	-	1,077,256	1,424,798
Training and recruitment	103,925	-	103,925	127,043
Travel	589,969	-	589,969	559,625
Technology	157,884	-	157,884	235,147
Wages	8,178,449	-	8,178,449	8,544,970
Employee benefits (note 10)	2,216,996	-	2,216,996	1,913,301
OCBE savings payments	-	24,873	24,873	31,810
	<u>15,429,313</u>	<u>595,975</u>	<u>16,025,288</u>	<u>17,289,717</u>
Excess (deficiency) of revenues over expenses	<u>429,880</u>	<u>(12,979)</u>	<u>416,901</u>	<u>295,986</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

Statement of Changes in Fund Balances

For the year ended March 31, 2018

	Child Welfare Fund \$	Other Funds \$ (note 16)	Total 2018 \$	Total 2017 \$
Fund (deficit) balance - Beginning of year	(111,398)	(53,882)	(165,280)	(461,266)
Excess (deficiency) of revenues over expenses	429,880	(12,979)	416,901	295,986
Fund (deficit) balance - End of year	<u>318,482</u>	<u>(66,861)</u>	<u>251,621</u>	<u>(165,280)</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

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	416,901	295,986
Items not affecting cash		
Amortization of capital assets	304,635	235,268
Amortization of deferred capital contributions	(291,656)	(235,268)
	<u>429,880</u>	<u>295,986</u>
Changes in non-cash working capital balances		
Accounts receivable	(70,521)	(219,450)
Funding source receivable	320,531	448,388
Prepaid expenses	(5)	38,058
Accounts payable and accrued liabilities	(264,192)	150,279
Education fund payable	53,105	(74,666)
Deferred revenue	43,667	28,661
	<u>512,465</u>	<u>667,256</u>
Investing activities		
Deferred capital contributions received	-	192,091
Purchase of capital assets	(129,775)	(192,091)
	<u>(129,775)</u>	<u>-</u>
Change in cash during the year	382,690	667,256
Cash - Beginning of year	<u>1,539,492</u>	<u>872,236</u>
Cash - End of year	<u>1,922,182</u>	<u>1,539,492</u>
Cash represented by:		
Cash - unrestricted	1,676,734	1,292,652
Cash - restricted	245,448	246,840
	<u>1,922,182</u>	<u>1,539,492</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, 2018

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 (MCYS).

Included in Other Funds are the following:

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.

The Minor Capital - Partner Facility Renewal Fund accounts for revenue and expenditures related to the maintenance of existing facilities.

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, and funding source receivable.

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

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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
Computer equipment	5 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.

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.

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

Notes to Financial Statements

March 31, 2018

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.

Adoption of new accounting standards

Sarnia-Lambton CAS has adopted the following new Canadian Public Sector Accounting Standards effective April 1, 2017. Adoption of these standards has resulted in no retrospective adjustments.

(i) *PS 2200, Related Party Disclosures*

This section defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel, Board members, and close family members. This new section defines a related party and establishes disclosure required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

(ii) *PS 3420, Inter-entity Transactions*

This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

(iii) *PS 3210, Assets*

This section provides guidance for applying the definition for assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets

(iv) *PS 3320, Contingent Assets*

This section defines and establishes disclosure standards for contingent assets when the occurrence of a confirming future event is likely.

(v) *PS 3380, Contractual Rights*

This section defines and establishes disclosure standards for contractual rights when rights to economic resources will result in both an asset and revenue in the future.

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

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3 Restricted cash

Restricted cash consists of balances of \$18,232 (2017 - \$19,624) held on behalf of certain individuals and \$227,216 (2017 - \$227,216) 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 MCYS.

4 Accounts receivable

	2018 \$	2017 \$
Accounts receivable	234,352	276,872
Sales tax rebates receivable	192,468	79,427
	426,820	356,299

5 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	3,301,389	2,895,034	406,355
Vehicles	306,829	211,170	95,659
Office equipment	149,496	149,496	-
Computer equipment	84,446	8,445	76,001
	3,842,160	3,264,145	578,015
	2017		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	3,301,389	2,644,125	657,264
Vehicles	261,501	180,611	80,890
Office equipment	149,495	134,774	14,721
	3,712,385	2,959,510	752,875

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 (2017 - \$nil).

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Notes to Financial Statements

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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 \$66,318 (2017 - \$82,851). At year-end, there is a deferred revenue balance of \$304,252 (2017 - \$289,166) 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 \$52,650 (2017 - \$66,120). At year-end, there is a restricted cash balance as described in note 3 along with an education fund payable of \$447,998 (2017 - \$394,893). 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.
- iii. Certain funding Sarnia-Lambton CAS receives from the MCYS is restricted for use of minor capital asset purchases. During the year, a total amount of \$nil (2017 - \$192,091) was received for this restricted use and recorded as both a capital asset and deferred capital contribution on the statement of financial position. Under the deferral method of accounting, these contributions are then brought into income through the amortization of deferred capital contributions in a manner which matches the underlying depreciation expense of those capital assets. The movement of the deferred capital contributions balance during the year is as follows:

	2018 \$	2017 \$
Balance - Beginning of year	752,875	796,052
Capital contributions received during the year		
Ministry funding and government grants	-	82,979
Minor capital grants - Partner Facility Renewal funds	-	109,112
Amortization of deferred capital contributions	<u>(291,656)</u>	<u>(235,268)</u>
Balance - End of year	<u>461,219</u>	<u>752,875</u>

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.

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

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During the year, Sarnia-Lambton CAS paid rent and common area maintenance charges in the amount of \$85,121 (2017 - \$84,365) 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:

	\$
2019 - 2020	68,186
2020 - 2024	70,232

During the year Sarnia-Lambton CAS charged management and administration fees of \$22,820 (2017 - \$nil) to Bluewater Children's Foundation, which has been recorded as a reduction to expense.

Accounts receivable incurred in the normal course of business owing from Bluewater Children's Foundation to Sarnia-Lambton CAS totalled \$42,613 at March 31, 2018 (2017 - \$nil).

These related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 two outstanding legal claims against Sarnia-Lambton CAS. In both 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. There has been no accrual recorded in the financial statements for these legal claims. Furthermore, the future receipt of insurance settlements is dependent on the outcome of these legal claims and as a result the contingent assets related to the potential insurance settlements are not recorded in the financial statements.

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 \$836,986 (2017 - \$757,196).

11 Economic dependence

Sarnia-Lambton CAS has an economic dependence on the Province of Ontario due to the significant amount of funding received. Substantially all of the revenue recognized during both the current and prior year was derived from this source.

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

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12 Balanced Budget Fund

MCYS has created the "Balanced Budget Fund" to support Children's Aid Societies (CAS) 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 after 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, 2018, Sarnia-Lambton CAS has recorded a receivable for \$nil (2017 - \$373,730) for amounts expected to be recovered within this Balanced Budget Fund. During the year, Sarnia Lambton CAS generated an additional surplus of \$451,991 based on the approved ministry funding allocation for the year. Sarnia Lambton CAS expects to have access in future years to the surplus generated through the Balanced Budget Fund.

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, 2018. 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 through its carrying amount of cash, accounts receivable and funding source receivable. Cash is held with a reputable financial institution which mitigates any potential credit risk and the receivable balances are primarily 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.

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

Notes to Financial Statements

March 31, 2018

14 Government remittances

As at March 31, 2018, outstanding statutory remittances for payroll and harmonized sales taxes included in accounts payable were \$nil (2017 - \$nil).

15 Child Welfare Fund reconciliation for Ministry requirements

	2018 \$	2017 \$
Excess of revenues over expenses per statement of operations	429,880	295,986
Adjustments required for financial statements not required for Ministry reporting	<u>(429,880)</u>	<u>(295,986)</u>
Deficit as reported to Ministry	<u>-</u>	<u>-</u>

16 Other fund balances

A summary of the statement of operations of the externally restricted Transitional Age Fund is as follows:

	2018 \$	2017 \$
Revenues		
Ministry funding and government grants	96,767	169,584
Expenses		
Board	<u>96,767</u>	<u>169,584</u>
Excess of revenues over expenses	<u>-</u>	<u>-</u>

The Transitional Age Fund is recognized by MCSS as detail code 8847 within their internal reporting framework.

A summary of the statement of operations and change in fund balance for the externally restricted Capital Asset Fund is as follows:

	2018 \$	2017 \$
Revenues		
Amortization of deferred capital contributions	291,656	235,268
Expenses		
Amortization of capital assets	<u>304,635</u>	<u>235,268</u>
Excess of expenses over revenues	<u>(12,979)</u>	<u>-</u>

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A summary of the statement of operations and changes in fund balance for the externally restricted Ontario Child Benefit Equivalent Fund is as follows:

	2018 \$	2017 \$
Revenues		
Specific grants and revenue	24,873	31,810
Expenses		
OCBE savings payments	24,873	31,810
Excess of revenues over expenses	<u>-</u>	<u>-</u>

A summary of the statement of operations of the externally restricted Minor Capital Grants - Partner Facility Renewal Fund is as follows:

	2018 \$	2017 \$
Revenues		
Specific grants and revenue	169,700	-
Expenses		
Occupancy	169,700	-
Excess of revenues over expenses	<u>-</u>	<u>-</u>

The Minor Capital Grants - Partner Facility Renewal Fund is recognized by MCYS as detail code A710S within their internal reporting framework.

17 Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.