

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

Financial Statements  
**March 31, 2017**



June 27, 2017

## **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, 2017 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, 2017 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, 2017

	Child Welfare Fund \$	Other Funds \$	Total 2017 \$	Total 2016 \$
<b>Assets</b>				
<b>Current assets</b>				
Cash - unrestricted (note 3)	1,134,247	158,405	1,292,652	503,173
Cash - restricted (note 3)	246,840	-	246,840	369,063
Interfund balances	213,083	(213,083)	-	-
Accounts receivable (note 4)	356,299	-	356,299	126,533
Funding source receivable (note 12)	386,354	796	387,150	835,538
Due from Bluewater Foundation (note 8)	-	-	-	10,316
Prepaid expenses	78,391	-	78,391	116,449
	2,415,214	(53,882)	2,361,332	1,961,072
<b>Capital assets</b> (note 5)	-	752,875	752,875	796,052
	2,415,214	698,993	3,114,207	2,757,124
<b>Liabilities and Fund Balances</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (note 14)	1,708,225	-	1,708,225	1,557,946
Education fund payable (note 7)	394,893	-	394,893	469,559
Deferred revenue (note 7)	423,494	-	423,494	394,833
	2,526,612	-	2,526,612	2,422,338
<b>Deferred capital contributions</b> (note 7)	-	752,875	752,875	796,052
	2,526,612	752,875	3,279,487	3,218,390
<b>Fund (deficit) balance</b>				
Ontario Welfare Fund	(111,398)	-	(111,398)	(407,384)
Ontario Child Benefit Equivalent Fund	-	(53,882)	(53,882)	(53,882)
	(111,398)	(53,882)	(165,280)	(461,266)
	2,415,214	698,993	3,114,207	2,757,124

**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, 2017

	Child Welfare Fund \$	Other Funds (note 16) \$	Total 2017 \$	Total 2016 \$
<b>Revenues</b>				
Ministry funding and government grants (note 11)	16,394,288	169,584	16,563,872	17,351,108
Expense recoveries	329,632	-	329,632	148,572
Interest	12,551	-	12,551	14,491
Amortization of deferred capital contributions (note 7)	-	235,268	235,268	227,093
Specific grants and revenue	412,570	31,810	444,380	594,624
	<u>17,149,041</u>	<u>436,662</u>	<u>17,585,703</u>	<u>18,335,888</u>
<b>Expenses</b>				
Depreciation of capital assets	-	235,268	235,268	227,093
Promotion and publicity	17,345	-	17,345	19,704
Miscellaneous	153,758	-	153,758	146,063
Office administration	235,925	-	235,925	238,202
Professional services - client	343,182	-	343,182	372,540
Professional services - non-client	222,964	-	222,964	183,382
Occupancy (note 8)	381,591	-	381,591	705,486
Board	2,523,741	169,584	2,693,325	3,349,219
Health and related services - direct	169,665	-	169,665	269,314
Clients' personal needs	1,424,798	-	1,424,798	1,167,024
Training and recruitment	127,043	-	127,043	126,460
Travel	559,625	-	559,625	735,720
Technology	235,147	-	235,147	145,494
Wages	8,544,970	-	8,544,970	8,543,318
Employee benefits (note 10)	1,913,301	-	1,913,301	2,111,471
OCBE outcomes	-	-	-	155,599
OCBE lump sum payments	-	23,781	23,781	45,850
OCBE structured payments	-	8,029	8,029	15,585
Interest	-	-	-	482
	<u>16,853,055</u>	<u>436,662</u>	<u>17,289,717</u>	<u>18,558,006</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>295,986</u>	<u>-</u>	<u>295,986</u>	<u>(222,118)</u>

### 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 Changes in Fund Balances

For the year ended March 31, 2017

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	Child Welfare Fund \$	Other Funds (note 16) \$	Total 2017 \$	Total 2016 \$
<b>Fund (deficit) balance - Beginning of year</b>	(407,384)	(53,882)	(461,266)	(239,148)
Excess (deficiency) of revenues over expenses	295,986	-	295,986	(222,118)
<b>Fund (deficit) balance - End of year</b>	<u>(111,398)</u>	<u>(53,882)</u>	<u>(165,280)</u>	<u>(461,266)</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, 2017

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	295,986	(222,118)
Add (deduct) items not affecting cash		
Amortization of capital assets	235,268	227,093
Amortization of deferred capital contributions	(235,268)	(227,093)
	295,986	(222,118)
Changes in non-cash working capital balances		
Accounts receivable	(229,766)	29,918
Funding source receivable	448,388	(798,187)
Due from Bluewater Children's Foundation	10,316	(1,097)
Prepaid expenses	38,058	(27,592)
Accounts payable and accrued liabilities	150,279	263,918
Education fund payable	(74,666)	92,180
Deferred revenue	28,661	(83,343)
	667,256	(746,321)
<b>Investing activities</b>		
Deferred capital contributions received	192,091	397,638
Purchase of capital assets	(192,091)	(397,638)
	-	-
<b>Increase (decrease) in cash during the year</b>	667,256	(746,321)
<b>Cash - Beginning of year</b>	872,236	1,618,557
<b>Cash - End of year</b>	1,539,492	872,236
<b>Cash represented by:</b>		
Cash - unrestricted	1,292,652	503,173
Cash - restricted	246,840	369,063
	1,539,492	872,236

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, 2017

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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 (MCYS).

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.

#### 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.



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

## Notes to Financial Statements

March 31, 2017

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### 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.

### 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, 2017

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### 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 \$19,624 (2016 - \$16,510) held on behalf of certain individuals and \$227,216 (2016 - \$352,553) 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

	2017 \$	2016 \$
Accounts receivable	276,872	20,271
Sales tax rebates receivable	79,427	106,262
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	356,299	126,533
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# Children's Aid Society of the City of Sarnia and the County of Lambton

## Notes to Financial Statements

March 31, 2017

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### 5 Capital assets

	2017		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	<u>3,712,385</u>	<u>2,959,510</u>	<u>752,875</u>

  

	2016		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
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
	<u>3,520,294</u>	<u>2,724,242</u>	<u>796,052</u>

### 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 (2016 - \$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 \$82,851 (2016 - \$108,645). At year end, there is a deferred revenue balance of \$289,166 (2016 - \$235,596) 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 \$66,120 (2016 - \$92,180). At year end, there is a restricted cash balance as described in note 3 along with an education fund payable of \$394,893 (2016 - \$469,559). 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

## Notes to Financial Statements

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- iii. Certain funding Sarnia-Lambton CAS receives from the MCYS is restricted for use of capital asset purchases. During the year, a total amount of \$192,091 (2016 - \$397,638) was received for this restricted use and recorded as a 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:

	2017 \$	2016 \$
<b>Balance - Beginning of year</b>	796,052	625,507
Capital contributions received during the year		
Ministry funding and government grants	82,979	329,196
Minor capital grants - Partner Facility Renewal funds	109,112	68,442
Amortization of deferred capital contributions	<u>(235,268)</u>	<u>(227,093)</u>
<b>Balance - End of year</b>	<u>752,875</u>	<u>796,052</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.

During the year, Sarnia-Lambton CAS paid rent and common area maintenance charges in the amount of \$84,365 (2016 - \$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:

	\$
2018 - 2020	68,186
2020 - 2024	70,232

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

## Notes to Financial Statements

March 31, 2017

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### 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 \$757,196 (2016 - \$747,064).

### 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.

### 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 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, 2017, Sarnia-Lambton CAS has recorded a receivable for \$373,730 (2016 - \$731,633) for amounts expected to be recovered within this Balanced Budget Fund. There is no remaining balance to access for future years.

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

## Notes to Financial Statements

March 31, 2017

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### 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, 2017. 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, 2017, outstanding statutory remittances for payroll and harmonized sales taxes included in accounts payable were \$Nil (2016 - \$Nil).

### 15 Child Welfare Fund reconciliation for Ministry requirements

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

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

## Notes to Financial Statements

March 31, 2017

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### 16 Other fund balances

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

	2017 \$	2016 \$
<b>Revenues</b>		
Ministry funding and government grants	169,584	254,522
<b>Expenses</b>		
Board	169,584	254,522
<b>Excess of revenues over expenses</b>	<u>-</u>	<u>-</u>

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

	2017 \$	2016 \$
<b>Revenues</b>		
Amortization of deferred capital contributions	235,268	227,093
<b>Expenses</b>		
Depreciation expense	235,268	227,093
<b>Excess of revenues over expenses</b>	<u>-</u>	<u>-</u>

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

	2017 \$	2016 \$
<b>Revenues</b>		
Specific grants and revenue	31,810	219,060
<b>Expenses</b>		
OCBE outcomes	-	155,599
OCBE lump sum payments	23,781	45,850
OCBE structured payments	8,029	15,585
Interest	-	482
	<u>31,810</u>	<u>218,578</u>
<b>Excess of revenues over expenses</b>	<u>-</u>	<u>1,544</u>

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

Notes to Financial Statements

**March 31, 2017**

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## **17 Comparative period balances**

The comparative period balances have been amended to conform to the current period's presentation.



