
Financial statements of
Children's Aid Society of
London & Middlesex

March 31, 2018

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Independent Auditor's Report

To the Board of Directors of
The Children's Aid Society of London & Middlesex

We have audited the accompanying financial statements of the Children's Aid Society of London & Middlesex, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Children's Aid Society of London & Middlesex as at March 31, 2018 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants
May 23, 2018

Children's Aid Society of London & Middlesex

Statement of financial position

As at March 31, 2018

Notes	Operating fund		Capital fund		Restricted funds		Total
	2018	2017	2018	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	2,943	3,904	—	—	987,374	997,995	1,001,900
Restricted cash	—	—	—	—	1,009,957	937,206	937,206
Accounts receivable and receivables from the Ministry	471,649	169,021	—	—	—	—	169,021
Statutory government remittances receivable	685,684	390,475	—	—	—	—	390,475
Interfund balances	4,266,104	3,977,200	(4,257,341)	(3,977,200)	(8,763)	—	—
Prepaid expenses	385,080	398,630	—	—	—	—	398,630
	5,811,460	4,939,230	(4,257,341)	(3,977,200)	1,988,568	1,935,202	2,897,232
Property, buildings and equipment	—	—	3,377,206	3,628,486	—	—	3,628,486
	5,811,460	4,939,230	(880,135)	(348,714)	1,988,568	1,935,202	6,525,718

Children's Aid Society of London & Middlesex
Statement of financial position (continued)
As at March 31, 2018

	Notes	Operating fund		Capital fund		Restricted funds		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
Liabilities									
Current liabilities									
Bank indebtedness	6	1,825,758	2,330,941	—	—	—	—	1,825,758	2,330,941
Accrued vacation pay		2,333,033	2,351,087	—	—	—	—	2,333,033	2,351,087
Accrued payroll		594,905	572,311	—	—	—	—	594,905	572,311
Due to Ministry of Children and Youth Services		89,735	772,423	—	—	—	—	89,735	772,423
Other accounts payable and accrued liabilities	15	4,191,657	3,233,652	—	—	128,066	137,035	4,319,723	3,370,687
Statutory government remittances payable		372,783	346,046	—	—	—	—	372,783	346,046
RESP Funds in trust	4	—	—	—	—	609,052	571,252	609,052	571,252
OCBe Funds in trust – savings program	4	—	—	—	—	400,905	365,954	400,905	365,954
		9,407,871	9,606,460	—	—	1,138,023	1,074,241	10,545,894	10,680,701
Accrued benefit obligation	7	1,172,301	1,093,875	—	—	—	—	1,172,301	1,093,875
		10,580,172	10,700,335	—	—	1,138,023	1,074,241	11,718,195	11,774,576
Commitments									
	10	—	—	—	—	—	—	—	—
Fund balances									
Externally restricted	8	—	—	—	—	850,545	860,961	850,545	860,961
Accumulated deficit	9	(4,768,712)	(5,761,105)	(880,135)	(348,714)	—	—	(5,648,847)	(6,109,819)
		(4,768,712)	(5,761,105)	(880,135)	(348,714)	850,545	860,961	(4,798,302)	(5,248,858)
		5,811,460	4,939,230	(880,135)	(348,714)	1,988,568	1,935,202	6,919,893	6,525,718

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

Approved by the Board

_____, Director

_____, Director

Children's Aid Society of London & Middlesex
Statement of operations and changes in fund balances
Year ended March 31, 2018

Notes	Operating fund		Capital fund		Restricted funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Government funding	59,361,930	59,284,713	9,000	—	—	—	59,370,930	59,284,713
Family allowances – federal government	1,656,827	1,823,581	—	—	—	—	1,656,827	1,823,581
Recharges, recoveries and other	958,070	988,714	—	—	—	—	958,070	988,714
Contributions and fundraising	—	—	—	—	108,940	106,447	108,940	106,447
Interest	11,233	8,362	—	—	8,621	6,486	19,854	14,848
Gain on disposal of property, buildings and equipment	—	—	—	3,487	—	—	—	3,487
	61,988,060	62,105,370	9,000	3,487	117,561	112,933	62,114,621	62,221,790
Expenses								
Net expenses – operating fund (Schedule 1)	60,995,667	59,893,554	—	—	—	—	60,995,667	59,893,554
Other interest	—	—	—	—	—	—	—	—
Prevention programs and awards	—	—	—	—	127,977	129,121	127,977	129,121
Amortization	—	—	528,657	530,917	—	—	528,657	530,917
Loss on disposal of property, buildings and equipment	—	—	11,764	—	—	—	11,764	—
	60,995,667	59,893,554	540,421	530,917	127,977	129,121	61,664,065	60,553,592
Surplus (deficiency) of revenue over expenses	992,393	2,211,816	(531,421)	(527,430)	(10,416)	(16,188)	450,556	1,668,198
Fund balances, beginning of year	(5,761,105)	(7,972,921)	(348,714)	178,716	860,961	877,149	(5,248,858)	(6,917,056)
Fund balances, end of year	(4,768,712)	(5,761,105)	(880,135)	(348,714)	850,545	860,961	(4,798,302)	(5,248,858)

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

Children's Aid Society of London & Middlesex

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Surplus of revenues over expenses		450,556	1,668,198
Less items not affecting cash			
Amortization of property, building and equipment		528,657	530,917
Loss (gain) on disposal of property, building and equipment		11,764	(3,487)
Increase (decrease) in accrued benefit obligation		78,426	(24,341)
Net change in non-cash working capital balances	13	(213,913)	208,558
		<u>855,490</u>	<u>2,379,845</u>
Investing activities			
Acquisition of property, building and equipment	5	(297,989)	(395,027)
Proceeds on disposition of property, building and equipment	5	8,850	3,487
		<u>(289,139)</u>	<u>(391,540)</u>
Financing activities			
Decrease (increase) in restricted cash		(72,751)	587
Decrease in bank indebtedness		(505,184)	(2,035,287)
		<u>(577,935)</u>	<u>(2,034,700)</u>
Net change in cash		(11,584)	(46,395)
Cash, beginning of year		1,001,900	1,048,295
Cash, end of year		<u>990,317</u>	<u>1,001,900</u>

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

Children's Aid Society of London & Middlesex

Notes to the financial statements

March 31, 2018

1. Purpose of the organization

Funded under the Child and Family Services Act, The Children's Aid Society of London & Middlesex (the "Society") provides child welfare services, including child protection, family assistance, parental relief, foster care, group care, institutional care, and adoption programs to children and families in the designated area.

The Society is exempt from income taxes under section 149(1)(d) of the Canadian Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared by management of the Society in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations placed on the use of resources available to the Society, the accounts of the Society are maintained in accordance with the principles of "fund accounting". Under these principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

The operating fund accounts for the Society's operating activities.

The capital fund accounts for the society's real estate activities and capital equipment. The balance in this fund represents the net investment in capital assets.

The restricted funds account for endowments, trusts and other charitable activities which are distinct from the operating activities of the Society.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

Restricted cash

Restricted cash consists of externally restricted funding by the Ministry of Children and Youth Services (the "Ministry") for directives such as the Registered Education Savings Plans (RESPs) and Ontario Child Benefit equivalent (OCBe) programs.

Property, buildings and equipment

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Amortization is provided using the straight line method over the estimated useful lives of the assets, at the following annual rates using the half-year rule during the year of acquisition.

Buildings	4%
Equipment	10-20%
Leasehold improvements	5%
Vehicles	30%

2. Summary of significant accounting policies (continued)

Assets under capital leases

Assets under capital leases are accounted for at cost. Amortization is provided using the straight line method and is based on their estimated useful life using the following methods and rates:

Building equipment	4%
Equipment – computer hardware	20%

Contributed services

The work of the Society is partly dependent on the voluntary services of members of the community. Donated services are not recognized in these financial statements due to the difficulty in determining their fair value.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost which approximates fair value.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Future benefits – non-vesting sick leave benefits

On retirement, the Society provides for the payout of a portion of accrued sick pay for management and other eligible employees. Defined benefit plan retirement costs are calculated using the projected benefit method pro-rated on services and actuarial assumptions which reflect management's best estimate of the effects of future events. Market related values are used in the valuation of retirement fund assets.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenditures during the reporting periods. These estimates include amortization of property and equipment, accrued vacation pay, accrued payroll, accrued benefit obligations, and other accruals. Actual results could differ from these estimates.

3. Contracts with Ministry of Community and Society Services/Ministry of Children and Youth Services

The Society has service contracts with the Ministry of Community and Social Services/Ministry of Children and Youth Services. One requirement of the contracts is the production by management of a Transfer Payment Annual Reconciliation (TPAR) which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract.

The Fund Balance shows the surplus (deficit) position under these contracts as at March 31, 2018. The surplus (deficit) in a TPAR report will generally differ due to specific instructions for TPAR preparation.

4. Restricted cash

	2018	2017
	\$	\$
RESP funds in trust	609,052	571,252
OCBe funds in trust – savings program	400,905	365,954
	1,009,957	937,206

Pursuant to Ministry Policy Directive CW005-16, the Society sets aside a portion of Children's Special Allowance Funds, equivalent to the former federal UCCB payment, to establish Registered Education Savings Plans (RESPs) for eligible children in care.

Restricted cash related to RESPs held in trust represent such funding not yet contributed to an RESP. At March 31, 2018, \$609,052 (\$571,252 in 2017) of funds are held in trust as the recipients of these funds are not eligible to set up an RESP account.

OCBe savings program

Similarly, a portion of the OCBe relating to children aged 15-17 is being held as savings per a 2008 Ministry of Children and Youth Services directive. The Ministry updated the directive in 2014.

OCBe activities program

Not all OCBe funds are required to be held in trust for the children and can be spent on children in the Society's care as long as they are younger than 18 years of age. In the current year, \$21,210 (nil in 2017) of OCBe funds have not been spent on eligible children and are recorded in accounts payable.

5. Property, buildings and equipment

	2018		2017
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,030,000	—	1,030,000
Buildings	9,022,226	7,403,669	1,824,819
Equipment	3,349,447	2,812,576	538,274
Leasehold improvement	289,274	105,046	198,693
Vehicles	13,729	6,179	36,700
	13,704,676	10,327,470	3,377,206
			3,628,486

Included in property, buildings and equipment is a parcel of land donated to the Society by the Province of Ontario for consideration in the amount of \$1. The land is recorded at the appraised value of \$1,030,000 at the time of the donation. In the event of its future sale by the Society, all proceeds of disposition realized at that time must be returned to the Province of Ontario.

In addition, a portion of the costs of construction of the Society's building on the land were contributed by the Province of Ontario, the City of London and the County of Middlesex. In the event of a future sale of the building by the Society, the proceeds of disposition are to be returned to the Province of Ontario, the City of London and the County of Middlesex in proportion to their contributions.

Included in capital assets are additions of \$297,989 (\$395,027 in 2017).

6. Bank indebtedness

The Society has bank indebtedness of \$1,825,758 (\$2,330,941 in 2017). In the current year, the Society has available to it a revolving demand loan facility of \$3,000,000 (\$3,000,000 in 2017). The secured facility bears interest of prime less 0.25%.

7. Pension plan and other employee future benefits

OMERS pension plan

The Society makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") pension fund, which is a multi-employer plan, on behalf of 375 of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to OMERS for fiscal 2018 was \$2,496,556 (\$2,514,692 in 2017) for current service costs and is included as an expense in the statement of operations.

7. Pension plan and other employee future benefits (continued)

Non-vesting sick leave benefits

The eligibility and coverage are:

- All full-time bargaining unit employees hired prior to May 12, 2009, and all management members are eligible for a credit of 2 sick days for each month of service. The unused portion of an employee's sick leave will accrue up to a maximum of 120 days.
- All full-time bargaining unit employees hired after May 12, 2009 are eligible for a credit of 2 sick days for each month of service. The unused portion of an employee's sick leave will accrue up to a maximum of 90 days.
- All full-time bargaining unit employees hired prior to June 27, 2000 and all management members, that have 10 or more years of continuous service, and cease to be employed because of pensionable retirement to OMERS due to age, disability or death, will be paid an amount equal to 50 % of their accumulated sick leave at their current salary or wage rate not to exceed 50% of the employee's annual salary or wage.

The Society measures the accrued benefit obligation for accounting purposes as at March 31 of each year.

	2018	2017
	\$	\$
Opening balance	1,093,875	1,118,216
Accrual for service, net of benefits taken	68,942	54,531
Interest on accrued benefits	43,755	44,729
Benefit payments	(34,271)	(123,601)
Ending balance	1,172,301	1,093,875

The significant assumptions used to determine the accrued benefit obligation are as follows:

	2018	2017
Discount rate	5.00%	5.00%
Estimated retirement age	60 years	60 years

	2018	2017
	\$	\$
Benefit expense	112,697	99,260

8. Restrictions on use of fund balances

Restricted funds

Various restrictions apply to the externally restricted and endowment fund balances. For certain bequests, the previous year's interest and 10% of the previous year's principal may be expended annually on a service or project for families and children "not in care" for a period of three years. For bequests for special needs of family and children, the previous year's interest and 10% of the previous year's principal may be applied for the purpose of meeting special needs of families and children being served by the Society for a period of three years.

8. Restrictions on use of fund balances (continued)

Funds held in trust

At March 31, 2018 there were 595 children (559 in 2017) with RESP accounts, with \$307,659 (\$375,446 in 2017) of funding contributed to these RESP accounts in the current year. These funds are held in trust in the children's names and are not included in the Society's assets.

9. Operating fund deficit

Government funding does not provide for vacation pay or accrued benefits that have been incurred but not paid. However, funding is provided for these obligations as payments are made.

The accumulated operating fund deficit is comprised of:

	2018	2017
	\$	\$
Accrued vacation and compensation time	2,429,953	2,472,073
Accrued benefit obligation	1,172,301	1,093,875
Accrued health spending	485,500	367,902
Accumulated operating deficit	680,958	1,827,255
	4,768,712	5,761,105

10. Commitments

The Society leases certain premises, computer equipment and office equipment under operating leases. Future lease payments are for an aggregate amount of \$925,679 and include the following amounts payable over the next five years:

	\$
2018/19	428,458
2019/20	154,831
2020/21	113,248
2021/22	114,176
2022/23	114,966

11. Government funding

	2018	2017
	\$	\$
Operating fund		
Child Welfare Program – Province of Ontario	59,370,930	59,284,713

11. Government funding (continued)

The Society is dependent on the Province of Ontario for its future funding requirements. Government funding consists of the following:

	Notes	2018	2017
		\$	\$
Capital funding	12	9,000	—
A760 funding			
Volume-based allocation		26,074,026	27,567,254
Socio-economic allocation		19,366,784	19,557,774
Pre-formula adjustment		10,343,732	10,343,732
Mitigation component		3,027,867	2,543,902
Policy priority		627,680	1,555,333
Structural debt		280,710	990,742
Balanced budget funding withdrawal		501,908	—
Bill-89		103,469	—
In-year surplus		(964,246)	(3,274,024)
		59,370,930	59,284,713

The 2017 in-year surplus consists of 2016/17 surplus of \$3,272,116 and 2015/16 surplus of \$1,908

12. Ministry services contracts

During the year, funds are provided by the Province of Ontario under the terms of the various service contracts and the amounts expended by the Society during the year. As these funds do not directly relate to the operations of the Society, the funds received and distributed are excluded from the statement of revenues and expenses, with the exception of the A710 contract. The revenue related to capital funding was recognized in the statement of revenues and expenses since the item was set up as a capital asset. For all contracts, if all funds were not spent by year-end, the funds are payable back to the Province of Ontario and are presented in accounts payable. The funds received and distributed for the programs are disclosed in schedules 2 and 3.

13. Net change in non-cash working balances related to operations

	2018	2017
	\$	\$
(Increase) decrease in accounts receivable and receivables from the Ministry	(302,628)	410,595
(Increase) decrease in statutory government remittances receivable	(295,209)	8,858
Decrease in prepaid expenses	13,548	510,872
Decrease in accrued vacation pay	(18,054)	(49,011)
Increase in accrued payroll	22,594	90,148
(Decrease) increase in due to Ministry of Children and Youth Services	(682,689)	104,531
Increase (decrease) in other accounts payable and accrued liabilities	949,037	(846,815)
Increase (decrease) in statutory government remittances payable	26,737	(20,033)
Increase in RESP funds in trust	37,800	6,707
Increase (decrease) in OCBE funds in Trust	34,951	(7,294)
	(213,913)	208,558

14. Financial instruments

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the bank indebtedness. The demand loan secured facility bears interest of prime less 0.25%. This floating rate instrument subjects the Society to a cash flow risk.

Credit risk

The Society collects balances from the Province of Ontario in the normal course of its operations and due to the nature of the receivables, the Society does not need to maintain a provision for losses.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. The Society manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities.

Accounts payable and accrued liabilities are generally repaid within 30 days. As for the revolving demand credit facility the bank can demand repayment and/or cancel the availability of the facility at any time in its sole discretion.

15. Contingent liabilities

The Society has accrued for \$10,000 (\$70,000 in 2017) in other accounts payable and accrued liabilities on the statement of financial position for the deductible portion of outstanding claims for which the Agency is fully insured.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Children's Aid Society of London & Middlesex**Schedule 1 – Statement of net expenses – operating fund**

Year ended March 31, 2018

	2018	2017
	\$	\$
Expenses		
Salaries	24,941,333	23,769,994
Boarding rate payments	18,590,989	19,395,508
Employee benefits	7,004,627	6,442,158
Client's personal needs	3,083,245	2,837,329
Building occupancy	1,385,921	1,307,306
Travel	1,277,544	1,306,525
Technology	1,122,573	1,111,005
Medical and related services	1,028,629	1,143,760
Professional services - client	699,077	435,266
Office administration	476,363	402,657
Transition costs - severance	296,133	788,687
Insurance	264,072	262,205
Miscellaneous	212,928	224,229
Financial assistance	177,444	173,280
Training, education and conferences	175,784	130,243
Professional services - non-client	171,312	116,368
Program expenses	67,099	28,722
Promotion and publicity	20,594	18,312
	60,995,667	59,893,554

Children's Aid Society of London & Middlesex
Schedule 2 – Statement of financial activity
A346 Child Abuse Program
year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Revenue		-	6,250
		-	6,250
Expenses			
Project coordination costs		-	2,244
Miscellaneous		-	765
		-	3,009
Excess of revenues over expenses	12	-	3,241

Children's Aid Society of London & Middlesex

Schedule 3 – Statement of financial activity

8847 Adult Community Living – Transitional Aged Youth Program

year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Revenue		1,143,662	1,429,208
Expenses			
Per diems and miscellaneous		1,143,662	1,429,208
Excess of expenses over revenues	12	-	-