

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION  
(Operating as Family and Children's Services Niagara)**

Financial Statements  
for the Year Ended March 31, 2017  
and Independent Auditors' Report to the Directors

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

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CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

DURWARD JONES BARKWELL  
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
The Children's Aid Society of the Niagara Region  
(Operating as Family and Children's Services Niagara):

We have audited the financial statements of The Children's Aid Society of the Niagara Region, which comprise the statement of financial position as at March 31, 2017 and the statements of operations - operating fund, changes in fund balances - operating fund, operations and fund balance - private and capital fund and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for 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.

### Auditors' 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 the Niagara Region as at March 31, 2017, 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.

*Durward Jones Barkwell + Company LLP*

**Durward Jones Barkwell & Company LLP**  
Licensed Public Accountants

June 21, 2017

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**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF OPERATIONS - OPERATING FUND - CHILD WELFARE**  
**YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Province of Ontario (Note 9)	\$ 47,236,769	\$ 45,114,887
Prior year's funding adjustments (Note 10)	1,111,448	-
	<b>48,348,217</b>	45,114,887
<b>EXPENDITURE</b>		
Child Welfare Expenses		
Salaries	22,997,453	21,384,612
Employee benefits	6,280,752	5,927,897
Travel	1,852,695	1,701,156
Training	75,122	85,717
Building occupancy	1,075,134	980,877
Non-client purchased professional services	686,926	353,855
External legal	65,020	66,875
Boarding rate payments	12,103,000	11,782,385
Client purchased professional services	447,694	559,847
Client personal needs (Note 9)	1,443,534	1,343,764
Health and related expenses	830,998	874,875
Financial assistance	6,030	7,334
Admission prevention	113,429	114,430
Permanency subsidies	1,127,970	910,600
Promotion and publicity	71,927	71,850
Technology	277,204	182,246
Office and administration expense	512,319	493,922
Other miscellaneous	189,628	189,361
	<b>50,156,835</b>	47,031,603
<b>EXPENDITURE RECOVERIES AND NON-RETAINABLE INCOME</b>		
Rebates	365,095	113,198
Supervision recoveries	56,870	53,211
Maintenance from parents	4,288	14,822
Special allowances	1,664,816	1,678,921
Interest earned	17,602	28,610
Other income	53,293	37,564
	<b>2,161,964</b>	1,926,326
Net expenses	<b>47,994,871</b>	45,105,277
<b>OPERATING EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ 353,346</b>	<b>\$ 9,610</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF OPERATIONS - COMMUNITY PROGRAMS**  
**YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Province of Ontario	\$ 1,047,103	\$ 1,086,102
Regional Municipality of Niagara	1,023,663	1,006,377
United Ways of Niagara	168,203	150,982
Ministry of Education	742,079	742,078
Dave Thomas Foundation for Adoption (Canada)	113,334	-
Prior year's funding repayments (Note 10)	(26,833)	(35,459)
Other	555,795	619,625
	<b>3,623,344</b>	3,569,705
<b>EXPENDITURES (EXCLUDING CAPITAL FUND TRANSFERS)</b>	<b>3,616,163</b>	3,544,521
<b>OPERATING EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 7,181</b>	<b>\$ 25,184</b>

**STATEMENT OF OPERATIONS - SPECIAL PROJECTS**  
**YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Province of Ontario	\$ -	\$ 379,969
Prior year's funding repayments	-	(4,317)
	-	375,652
<b>EXPENDITURES (EXCLUDING CAPITAL FUND TRANSFERS)</b>	-	18,316
<b>OPERATING EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 357,336</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF CHANGES IN FUND BALANCES - OPERATING FUND**  
**YEAR ENDED MARCH 31, 2017**

	<b>Child Welfare</b>		<b>Community Programs</b>		<b>Special Projects</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>\$ (7,008,876)</b>	<b>\$ (4,182,805)</b>	<b>\$ 270,562</b>	<b>\$ 470,442</b>	<b>\$ 1,853</b>	<b>\$ 5,547</b>	<b>\$ (6,736,461)</b>	<b>\$ (3,706,816)</b>
<b>RETIREMENT BENEFIT OBLIGATION ADJUSTMENT (Note 6)</b>	<b>-</b>	<b>(2,368,070)</b>	<b>-</b>	<b>(213,920)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,581,990)</b>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>353,346</b>	<b>9,610</b>	<b>7,181</b>	<b>25,184</b>	<b>-</b>	<b>357,336</b>	<b>360,527</b>	<b>392,130</b>
<b>TRANSFERS TO PRIVATE AND CAPITAL FUND (Note 13)</b>	<b>(516,539)</b>	<b>(467,611)</b>	<b>(29,107)</b>	<b>(11,144)</b>	<b>-</b>	<b>(361,030)</b>	<b>(545,646)</b>	<b>(839,785)</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (7,172,069)</b>	<b>\$ (7,008,876)</b>	<b>\$ 248,636</b>	<b>\$ 270,562</b>	<b>\$ 1,853</b>	<b>\$ 1,853</b>	<b>\$ (6,921,580)</b>	<b>\$ (6,736,461)</b>

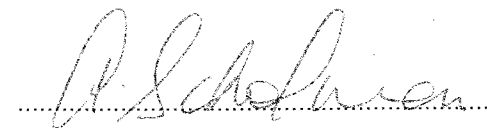
**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
 STATEMENT OF OPERATIONS AND FUND BALANCE - PRIVATE AND CAPITAL FUND  
 YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
<b>SUPPORT AND REVENUE</b>		
Unrestricted		
Interest	\$ 1,171	\$ 1,487
Externally Restricted		
Interest	1,364	3,580
Endowment		
Interest	787	788
	<b>3,322</b>	<b>5,855</b>
<b>EXPENDITURE</b>		
Unrestricted		
Sundry	500	500
Internally Restricted		
Bursaries, scholarships and other	75,800	87,000
Externally Restricted		
Bursaries, scholarships and other	575	1,620
Capital		
Depreciation	1,064,766	1,072,926
Interest on loans payable	45,015	66,220
	<b>1,186,656</b>	<b>1,228,266</b>
	<b>(1,183,334)</b>	<b>(1,222,411)</b>
<b>GAIN ON DISPOSAL OF CAPITAL ASSETS</b>	-	34,512
<b>DEFICIENCY OF SUPPORT AND REVENUE OVER EXPENDITURE BEFORE TRANSFERS</b>	<b>(1,183,334)</b>	<b>(1,187,899)</b>
<b>TRANSFERS FROM THE NIAGARA FOUNDATION FOR FAMILY AND CHILDREN SERVICES (Note 15)</b>	<b>79,463</b>	<b>167,062</b>
<b>DEFICIENCY OF SUPPORT AND REVENUE OVER EXPENDITURE</b>	<b>(1,103,871)</b>	<b>(1,020,837)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>7,348,553</b>	<b>7,529,605</b>
<b>TRANSFERS FROM OPERATING FUND (Note 13)</b>	<b>545,646</b>	<b>839,785</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 6,790,328</b>	<b>\$ 7,348,553</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
 (Operating as Family and Children's Services Niagara)  
 STATEMENT OF FINANCIAL POSITION  
 MARCH 31, 2017

	Operating Fund		Private and Capital Fund		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ 914,075	\$ 1,999,587	\$ 460,459	\$ 460,827	\$ 1,374,534	\$ 2,460,414
Accounts receivable (Note 2)	1,184,586	527,770	-	72	1,184,586	527,842
Prepaid expenses	173,413	216,752	-	-	173,413	216,752
	<b>2,272,074</b>	2,744,109	<b>460,459</b>	460,899	<b>2,732,533</b>	3,205,008
<b>Capital assets (Note 3)</b>	-	-	<b>7,082,466</b>	7,686,042	<b>7,082,466</b>	7,686,042
	<b>\$ 2,272,074</b>	<b>\$ 2,744,109</b>	<b>\$ 7,542,925</b>	<b>\$ 8,146,941</b>	<b>\$ 9,814,999</b>	<b>\$ 10,891,050</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued charges (Note 5)	\$ 5,524,854	\$ 6,070,070	\$ 500	\$ 500	\$ 5,525,354	\$ 6,070,570
Current portion of loans payable (Note 7)	-	-	42,505	39,819	42,505	39,819
	<b>5,524,854</b>	6,070,070	<b>43,005</b>	40,319	<b>5,567,859</b>	6,110,389
<b>Retirement benefit obligation (Note 6)</b>	<b>3,668,800</b>	3,410,500	-	-	<b>3,668,800</b>	3,410,500
<b>Loans payable (Note 7)</b>	-	-	<b>709,592</b>	758,069	<b>709,592</b>	758,069
<b>Contingencies and commitments (Note 8)</b>	<b>9,193,654</b>	9,480,570	<b>752,597</b>	798,388	<b>9,946,251</b>	10,278,958
<b>Fund balances</b>						
Child welfare (Note 9)	(7,172,069)	(7,008,876)	-	-	(7,172,069)	(7,008,876)
Community Programs	248,636	270,562	-	-	248,636	270,562
Special projects	1,853	1,853	-	-	1,853	1,853
Invested in capital assets	-	-	6,330,368	6,888,155	6,330,368	6,888,155
Externally restricted	-	-	145,668	145,431	145,668	145,431
Internally restricted	-	-	14,437	16,881	14,437	16,881
Endowment	-	-	104,222	103,435	104,222	103,435
Unrestricted	-	-	195,633	194,651	195,633	194,651
	<b>(6,921,580)</b>	(6,736,461)	<b>6,790,328</b>	7,348,553	<b>(131,252)</b>	612,092
	<b>\$ 2,272,074</b>	<b>\$ 2,744,109</b>	<b>\$ 7,542,925</b>	<b>\$ 8,146,941</b>	<b>\$ 9,814,999</b>	<b>\$ 10,891,050</b>

Approved by the Board:

 Director

 Director



**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of support and revenue over expenditure		
Operating Fund	\$ 353,346	\$ 9,610
Community Programs	7,181	25,184
Special Projects	-	357,336
Private and Capital Fund	<b>(1,103,871)</b>	<b>(1,020,837)</b>
	<b>(743,344)</b>	<b>(628,707)</b>
Items not affecting cash		
Depreciation	<b>1,064,766</b>	1,072,926
Gain on disposal of capital assets	-	(34,512)
	<b>321,422</b>	409,707
Changes in non-cash working capital balances		
Accounts receivable - Operating Fund	<b>(656,816)</b>	(46,337)
Accounts receivable - Private and Capital Fund	72	422
Prepaid expenses - Operating Fund	<b>43,339</b>	7,805
Accounts payable and accrued charges - Operating Fund	<b>(545,216)</b>	171,616
	<b>(837,199)</b>	543,213
<b>CAPITAL ACTIVITIES</b>		
Purchase of capital assets - Private and Capital Fund	<b>(461,190)</b>	(673,032)
Proceeds on disposal of capital assets	-	35,304
	<b>(461,190)</b>	<b>(637,728)</b>
<b>FINANCING ACTIVITIES</b>		
Increase of retirement benefit obligation	<b>258,300</b>	319,012
Repayments of loans payable - Private and Capital Fund	<b>(45,791)</b>	(535,608)
	<b>212,509</b>	(216,596)
<b>DECREASE IN CASH</b>	<b>(1,085,880)</b>	<b>(311,111)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>2,460,414</b>	<b>2,771,525</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,374,534</b>	<b>\$ 2,460,414</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

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## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

### ***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").

### ***Purpose of the Society***

The Children's Aid Society of the Niagara Region is a charitable organization which provides child welfare services, including child protection, family assistance, parental relief, foster care, group care, adoption programs and a variety of special and child care projects while also supporting the autonomy and integrity of the family through other programs. The Society was incorporated as a corporation without share capital in Ontario under Letters Patent on January 6, 1969. The Society is exempt from federal and provincial income taxes.

### ***Fund accounting***

The Society follows the restricted fund method of accounting whereby financial statement elements are reported by fund. Resources are classified for accounting and reporting purposes by the activity or objective specified. The restricted and endowment funds have stipulations that specify how resources must be used. External restrictions have been stipulated by an arm's-length third party. Unrestricted funds have no such stipulations. Internal restrictions have been applied by the Directors of the Society.

The Operating Fund reports the Society's unrestricted day-to-day delivery of services and activities including child welfare, special projects and their administration. Child Welfare activities are carried out under the Child and Family Services Act.

The Private and Capital Fund reports specific activities and accounts for all the Society's capital assets. The revenues generated by this fund are used for purposes designated by the donors and/or the Directors of the Society.

### ***Revenue recognition***

The Society follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate restricted fund in the year received or receivable. Unrestricted contributions are recognized as revenue of the unrestricted fund when the contribution is received or receivable. Contributions for endowment are recognized as revenue in the endowment fund. Revenues and expenditures are recorded on an accrual basis for all funds.

### ***Funding***

Under the Child and Family Services Act and the regulations thereto, The Children's Aid Society of the Niagara Region is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Community and Social Services (MCSS) and the Ministry of Children and Youth Services (MCYS). These financial statements reflect agreed funding arrangements approved by MCSS and MCYS with respect to the year ended March 31, 2017. The Society has also signed an accountability agreement with the Province of Ontario that sets out the rights and obligations of the parties in respect of funding provided to the Society by the Province of Ontario in effect for the year ended March 31, 2017.

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**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2017

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**1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION** (continued)

***Capital assets***

The Society's capital assets consist of land, buildings, equipment, vehicles and leasehold improvements and are recorded at acquisition cost. Depreciation is recorded on a straight-line basis over the assets' estimated useful lives, which are as follows:

Buildings	20 years
Equipment	5 - 10 years
Vehicles	3 years
Leasehold improvements	10 years

Equipment taken on lease which substantially transfer all of the benefits and risks of ownership to the Society are accounted for as "capital leases", as though an asset had been purchased and a liability incurred. The asset is depreciated on the straight-line basis over a period of 5 years. All other equipment held on lease are accounted for as operating leases.

***Long-lived assets***

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

***Pensions***

Pension costs for current service are charged to expenditure on a current basis.

***Employee future benefits***

The Society pays certain benefits of its eligible retired employees including health benefits, dental benefits, life insurance and travel benefits. Eligible retired employees include those age 55 or older, who retire with 20 or more years of continuous service and who immediately upon taking such retirement receives a pension from OMERS. The employee will maintain these benefits until the employee reaches the age 65, stops receiving an OMERS pension or dies, whichever occurs first. The determination of the accrued benefit obligation was determined using the projected benefit method pro-rated on service.

***Contributed materials and services***

The Society receives contributed materials and services which are not recognized in the financial statements because of the difficulty in determining fair value.

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**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

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**1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION** (continued)

***Financial instruments***

**(a) Measurement of financial instruments**

The Society initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, transaction costs that are directly attributed to the instrument.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost using the effective interest rate method less any impairment losses on financial assets.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued charges and loans payable.

**(b) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

***Use of estimates***

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets and the determination of their useful lives, revenue recognition, estimation of future employee benefits, program and fund allocations, surplus repayment, accrued liabilities, contingent liabilities and allowances for accounts receivable.

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**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

**2. ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
HST recoverable	\$ 269,274	\$ 283,475
Balanced Budget Fund	737,813	-
Province of Ontario	134,480	18,320
Other Society wards	2,325	(1,661)
Miscellaneous	40,694	227,708
	<b>\$ 1,184,586</b>	<b>\$ 527,842</b>

**3. CAPITAL ASSETS**

	<u>2017</u>		<u>2016</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,076,670	\$ -	\$ 1,076,670	\$ -
Buildings	13,335,901	8,368,086	13,312,329	7,701,277
Equipment	8,799,287	7,798,825	8,458,840	7,522,066
Vehicles	173,646	173,646	173,646	155,329
Leasehold improvements	268,249	230,730	268,249	225,020
	<b>23,653,753</b>	<b>16,571,287</b>	23,289,734	15,603,692
		<b>\$ 7,082,466</b>		<b>\$ 7,686,042</b>

**4. DEMAND LOAN FACILITY**

The Society has available a \$1,500,000 revolving demand loan facility. The revolving demand loan carries interest at Royal Bank prime rate and is secured as described in Note 7. At March 31, 2017, the Society's revolving demand loan balance was \$Nil (2016 - \$Nil). The Society also has available a lease line of credit and a Visa credit facility in the amount of \$350,000 and \$100,000 respectively.

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2017

**5. ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	<u>2017</u>	<u>2016</u>
Trade payables and accruals	\$ 1,602,702	\$ 1,589,819
Accrued wages	2,627,583	2,355,293
Boarding home payments	1,048,365	1,044,050
Other programs	108,137	76,515
Professional fees	43,067	43,654
Balanced Budget Fund	-	866,139
Current portion of retirement benefit obligation (Note 6)	95,500	95,100
	<b>\$ 5,525,354</b>	<b>\$ 6,070,570</b>

Included in accounts payables and accrued charges is \$494,330 (2016 - \$310,052) of government remittances.

**6. RETIREMENT BENEFIT OBLIGATION**

	<u>2017</u>	<u>2016</u>
Retirement benefit obligation	\$ 3,764,300	\$ 3,505,600
Less amounts due within one year	95,500	95,100
	<b>\$ 3,668,800</b>	<b>\$ 3,410,500</b>

The Society continues to provide life insurance, dental, travel and health care benefits to eligible retired employees as disclosed in Note 1. The benefit costs and liabilities related to this plan have been included in the financial statements. Current year benefit costs of \$258,700 are included in the statement of operations of the operating fund as employee benefits.

The Society uses a March 31 measurement date for valuing post employment benefits. The expected average remaining service life to retirement is 15 years. As of March 31, 2017 the unamortized actuarial gain is \$120,400. The main actuarial assumptions employed for the valuation are as follows:

**Interest (discount rate):** The obligation as at March 31, 2017 of the present value of future liabilities was determined using a rate of 3.25% and the expense for the year ended was determined using a discount rate of 3.25%.

**Extended Health Care:** Initial rate of 6.25% per annum, decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum.

**Dental costs:** Dental costs were assumed to increase at 3% per annum.

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**7. LOANS PAYABLE**

	<u>2017</u>	<u>2016</u>
RBC Royal Bank - 5.78% fixed rate term loan, payable in equal monthly instalments of \$7,038 including principal and interest with a 10% annual prepayment option, due April 2019.	<b>\$ 752,097</b>	\$ 797,888
Less amounts due within one year	<b>42,505</b>	39,819
	<b>\$ 709,592</b>	\$ 758,069

The loans and draws against the revolving demand loan facility, described in Note 4, are secured by collateral mortgages totalling \$2,300,000 over land and buildings in St. Catharines, Ontario and Niagara Falls, Ontario with net book values of approximately \$5,500,000.

The principal amounts due in each of the next three years:

2018	<b>\$ 42,505</b>
2019	<b>44,599</b>
2020	<b>664,993</b>
	<b>\$ 752,097</b>

Interest paid during the fiscal year totalled \$45,016 (2016 - \$66,220).

**8. CONTINGENCIES AND COMMITMENTS**

- (a) The operating results of the Society are subject to review by the Ministry of Children and Youth Services and the Ministry of Community and Social Services of Ontario. Any funding adjustments which may result from any review will be made during subsequent years and will be accounted for as a current year revenue adjustment.

The on-going operations of the Society are dependent on the continued financial support of the Province of Ontario.

- (b) The Society makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates range from 9.0% to 14.6% depending on the level earnings. Expenditures for 2017 include \$2,327,410 for contributions to March 31, 2017 (2016 - \$2,279,279) which are included in the statement of operations.

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**8. CONTINGENCIES AND COMMITMENTS** (continued)

- (c) The Society has a self insured short term disability plan which specifies the amount of short term disability benefits to be received by the employees while on sick leave. As at March 31, 2017 amounts outstanding totalled \$16,332. These costs will be recorded in the financial statements as incurred.
- (d) The Society leases equipment and premises under operating lease agreements with various lease terms. The minimum lease payments under the terms of these leases are:

	<u>Equipment</u>	<u>Premises</u>
Years ending March 31, 2018	\$ 6,390	\$ 106,649
2019	4,723	62,390
2020	3,056	62,390
2021	3,056	62,390
2022	255	10,398
	\$ 17,480	\$ 304,217

- (e) The Society is currently involved in legal actions. These actions are at various stages and are being dealt with by internal and external counsels along with the Society's insurance provider. Internal and external legal counsels to the Society are unable to assess the Society's potential liabilities, if any, in these legal actions. Presently there are three claims which exceed the insurance coverage of the Society. Any resulting liability in excess of that covered by insurance or amounts not covered by insurance will be recorded as a charge to income of the period in which the settlement occurs.

**9. ONTARIO CHILD BENEFIT EQUIVALENT POOLED FUND**

The Society receives funding from the Province of Ontario that is to be used to provide opportunities for all youth in care up to 17 years old, to participate in recreational, educational, cultural and social activities. A portion of the funds are to be used to establish savings accounts for eligible youth in care, ages 15 to 17 years old, to build their financial assets to better prepare them to transition from care to independent living.

The revenue, expenses and fund balance relating to this program are included in the operating fund of the Society. Specifically, included in revenue is \$447,125 (2016 - \$451,534), included in client personal needs expense is \$514,019 (2016 - \$510,666) and included in Child Welfare fund balance is \$428,565 (2016 - \$495,459). The overall fund balance of \$428,565 is comprised of a savings fund surplus of \$268,822 and an activity fund surplus of \$159,743.

**10. PRIOR YEAR'S FUNDING ADJUSTMENTS**

During the current year, the Society recognized \$737,813 (2016 - \$Nil) from the Ministry of Community and Social Services and the Ministry of Children and Youth Services relating to Child Welfare funding from the prior year and previous years' surpluses (Balanced Budget Fund). During the year, the Society received \$373,635 one-time funding with respect to the Ministry's structural debt assistance program. The Society also repaid \$26,833 relating to clawback of Community Programs and Special Projects funding from the prior year.



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### **11. BALANCED BUDGET FUND**

In 2014, the Ministry of Children and Youth Services announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the newly announced balanced budget requirements that were outlined in the Ministry's Regulation 70. The Balanced Budget Fund process has been developed individually for each Children's Aid Society and will reflect the accumulated surplus that was returned to the Ministry each year, beginning in the 2013-2014 fiscal year. To be eligible to access these funds, the Society must meet two conditions:

- (1) the Society must have generated a prior year surplus recovered in or after 2013-2014 that meets the definition of eligible contributions; and
- (2) the Society must require additional funding for eligible expenditures in a future year for child welfare operations in order that they will not incur a deficit. The required amount cannot exceed the total accumulated balanced budget fund surplus.

Management has represented that the Society generated a deficit of \$737,813 (2016 - surplus of \$1,230,411) during the current fiscal year that is receivable from the Ministry of Children and Youth Services under the Ministry's Regulation 70 as noted above. The Ministry will allow each Children's Aid Society to carry over and accumulate eligible contributions up to a maximum of three consecutive years.

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### **12. SPECIAL PROJECTS**

In addition to Child Welfare activities, the Society has responsibility to administer certain other projects. Community Programs currently under administration include Adult Protective Services, Alternative Dispute Resolution, Community Capacity Building, Employment Projects, Family Counselling Centre, Family Violence Counselling, Family Support Programs, New Outlooks and Beginnings, Nursery Schools, Partner Assault Response, Special Needs Resourcing, and Wendy's Wonderful Kids. Special Projects include Capital and Facility Grants and other One Time Funding.

Individual special project surpluses or deficits in the Community Programs and Special Projects Fund Balances are subject to review. Adjustments for funding of a program or project deficit or repayment of a program or project surplus are recorded in the year that approval is granted.

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### **13. INTERFUND TRANSFERS**

The net transfer to the Private and Capital Fund amounted to \$545,646 (2016 - \$839,785). Capital items transferred to the Private and Capital Fund amounted to \$461,190 (2016 - \$673,032) and cash transfers to the Private and Capital Fund amounted to \$84,456 (2016 - \$166,753).

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#### **14. FINANCIAL RISK MANAGEMENT**

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk since changes in interest rates impact the Society's borrowing costs. The Society does not use any derivative instrument to reduce its exposure to interest rate risk. Interest rate risk is mitigated during the year as Provincial funding is advanced.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations and anticipated investing and financing activities. The Society has a short term bank financing facility in place should it be required to meet temporary fluctuations in cash requirements as well as funding arrangements in place with the MCSS and MCYS as described in Notes 1 and 4. As at March 31, 2017 the Society had cash of \$1,374,534 (March 31, 2016 - \$2,460,414) and unutilized line of credit of \$1,500,000 (March 31, 2016 - \$1,500,000). The Society expects that continued cash flows from operations in 2018 will be sufficient to fund requirements for investments in working capital.

It is management's opinion that the Society is not exposed to significant currency, market or credit risks arising from its financial instruments.

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#### **15. RELATED PARTY TRANSACTIONS**

The Society is related to the Niagara Foundation for Family and Children Services (the Foundation) since there are some common members of the Board of Directors between the two organizations. However, the Foundation is an independent organization that raises funds for the benefit of the Society. The Foundation is a charitable organization incorporated in Ontario.

The Foundation paid administration fees of \$36,852 (2016 - \$36,623) to the Society for rent, salaries and office expenses.

The Foundation transferred \$79,463 to the Private and Capital Fund, of which \$6,101 was applied towards the Niagara Falls building project (Externally Restricted) and \$73,362 was applied towards the Foundation Grant project (Internally Restricted). In addition, the Foundation transferred \$169,757 to the Community Programs and Special Projects. All transfers were in the normal course of operations, and were at the exchange amount, being the amount agreed to between the related parties.

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**16. REGISTERED EDUCATION SAVINGS PLANS**

Starting July 2006 the Society received a monthly \$100 Universal Child Care Benefit payment for every child in care under the age of six. A directive from the Ministry of Children and Youth Services (MCYS) specified that these funds are required to be used towards establishing Registered Education Savings Plans (RESPs) for specific children in care. In July 2015, this program was modified to provide \$160 per month for every child under the age of six and \$60 per month for every child aged six through seventeen. The Society continues to fund the RESP at the current level of contributions until further directive from the MCYS is received regarding changes to the Universal Child Care Benefit program.

The Society also participates in a research project established by the University of Ottawa. This program establishes RESPs for children in care who are in grades 3 through 6.

	<u>2017</u>	<u>2016</u>
<u>MCYS Directive</u>		
Funds invested in RESPs, aggregate market value	\$ 1,860,592	\$ 1,632,509
Funds received, not yet invested in RESPs	314,560	350,160
<u>University of Ottawa Research Project</u>		
Funds invested in RESPs, aggregate market value	27,880	29,713
	<b>\$ 2,203,032</b>	<b>\$ 2,012,382</b>

These amounts which are held in trust for qualified children, have not been reflected in the financial statements as the funds are not assets of the Society.