

Financial Statements of

**ONTARIO ASSOCIATION OF
CHILDREN'S AID SOCIETIES**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Association of Children's Aid Societies

We have audited the accompanying financial statements of Ontario Association of Children's Aid Societies, which comprise the balance sheet as at March 31, 2018, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes, comprising 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 accounting standards for 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 our 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, we consider 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 Ontario Association of Children's Aid Societies as at March 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 17, 2018
Vaughan, Canada

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Balance Sheet

March 31, 2018, with comparative information for 2017

			2018	2017
	Operating Fund	Special Bursary Fund	Total	Total
Assets				
Current assets:				
Cash	\$ 1,685,715	\$ 123,452	\$ 1,809,167	\$ 2,350,046
Accounts receivable	3,303,864	–	3,303,864	1,582,418
Prepaid deposits and expenses	5,392	–	5,392	234,014
	4,994,971	123,452	5,118,423	4,166,478
Capital assets (note 2)	5,243,013	–	5,243,013	3,355,080
	\$ 10,237,984	\$ 123,452	\$ 10,361,436	\$ 7,521,558

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accrued liabilities (note 4)	\$ 1,731,687	\$ –	\$ 1,731,687	\$ 1,290,242
Deferred revenue (note 5)	2,210,528	–	2,210,528	1,206,686
Credit facilities (note 3)	2,449,734	–	2,449,734	1,054,488
	6,391,949	–	6,391,949	3,551,416

Fund balances:

Invested in capital assets (note 6)	2,793,279	–	2,793,279	2,300,592
Externally restricted	–	123,452	123,452	103,452
Unrestricted	1,052,756	–	1,052,756	1,566,098
	3,846,035	123,452	3,969,487	3,970,142

Lease commitments (note 8)

	\$ 10,237,984	\$ 123,452	\$ 10,361,436	\$ 7,521,558
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See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Revenue and Expenses

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund		Special Bursary Fund		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Government of Ontario	\$ 10,732,499	\$ 9,713,643	\$ -	\$ -	\$ 10,732,499	\$ 9,713,643
Membership fees	4,107,681	3,411,210	-	-	4,107,681	3,411,210
Other revenue	662,484	478,019	-	-	662,484	478,019
Sales and registration fees	533,152	465,345	-	-	533,152	465,345
Donations	4,866	325,339	322,250	325,996	327,116	651,335
Publications	20,248	79,742	-	-	20,248	79,742
	<u>16,060,930</u>	<u>14,473,298</u>	<u>322,250</u>	<u>325,996</u>	<u>16,383,180</u>	<u>14,799,294</u>
Expenses:						
Salaries	6,201,750	5,199,991	-	-	6,201,750	5,199,991
Contracted professional services	3,179,619	3,469,095	-	-	3,179,619	3,469,095
Direct contract	2,976,245	2,695,821	-	-	2,976,245	2,695,821
Employee benefits	1,509,622	1,242,124	-	-	1,509,622	1,242,124
Office and administration	701,204	313,332	-	-	701,204	313,332
Facilities and equipment	419,775	345,869	-	-	419,775	345,869
Business travel and hospitality	358,357	245,815	-	-	358,357	245,815
Bursaries and grants	55,807	50,000	272,250	338,250	328,057	388,250
Other	289,887	211,139	30,000	30,000	319,887	241,139
Amortization of capital assets	238,917	204,156	-	-	238,917	204,156
Training development and recruitment	81,256	120,926	-	-	81,256	120,926
Loan interest	69,146	43,055	-	-	69,146	43,055
	<u>16,081,585</u>	<u>14,141,323</u>	<u>302,250</u>	<u>368,250</u>	<u>16,383,835</u>	<u>14,509,573</u>
Excess (deficiency) of revenue over expenses						
	\$ (20,655)	\$ 331,975	\$ 20,000	\$ (42,254)	\$ (655)	\$ 289,721

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Operating Fund	Special Bursary Fund	2018	Total 2017
Fund balances, beginning of year	\$ 2,300,592	\$ 1,566,098	\$ 103,452	\$ 3,970,142	\$ 3,680,421
Excess (deficiency) of revenue over expenses	(238,917)	218,262	20,000	(655)	289,721
Net investment in capital assets (note 6)	731,604	(731,604)	–	–	–
Fund balances, end of year	\$ 2,793,279	\$ 1,052,756	\$ 123,452	\$ 3,969,487	\$ 3,970,142

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (655)	\$ 289,721
Amortization of capital assets which does not involve cash	238,917	204,156
	<u>238,262</u>	<u>493,877</u>
Change in non-cash operating working capital:		
Accounts receivable	(1,721,446)	(84,913)
Prepaid deposits and expenses	228,622	(181,068)
Accounts payable and accrued liabilities	441,445	(539,252)
Deferred revenue	1,003,842	262,131
	<u>190,725</u>	<u>(49,225)</u>
Financing activities:		
Repayment of credit facilities	(104,754)	(74,434)
Proceeds from credit facilities	1,500,000	—
	<u>1,395,246</u>	<u>(74,434)</u>
Investing activities:		
Purchase of capital assets	(2,126,850)	(169,894)
	<u>(2,126,850)</u>	<u>(169,894)</u>
Decrease in cash	(540,879)	(293,553)
Cash, beginning of year	2,350,046	2,643,599
Cash, end of year	<u>\$ 1,809,167</u>	<u>\$ 2,350,046</u>

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements

Year ended March 31, 2018

The mission of the Ontario Association of Children's Aid Societies (the "Association") is to be a leader and collaborator promoting the welfare of children, youth and families through leadership, service excellence and advocacy.

The Association is registered as a charitable organization (registration number 1077 96708 RR0001) and, accordingly, is not subject to income taxes if certain disbursement requirements are met. The Association is incorporated under the laws of Ontario.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions, applying fund accounting.

Restricted contributions are recorded as revenue of the appropriate fund in the year in which the related expenses occurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Operating Fund - this fund records the activities associated with the Association's day-to-day operations and its investment in capital assets.

Special Bursary Fund - this fund is to be used to provide bursaries to children under the care of the Children's Aid Societies of Ontario.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry any such financial investments at fair value.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Capital assets:

Capital assets costing over \$2,500 are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Furniture and equipment	10 years
Computer software	5 years
IT equipment	5 years

(d) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 6,648,419	\$ 1,771,917	\$ 4,876,502	\$ 3,047,012
Furniture and equipment	355,549	220,430	135,119	149,897
Computer software	268,031	268,031	–	11,947
IT equipment	293,207	61,815	231,392	146,224
	<u>\$ 7,565,206</u>	<u>\$ 2,322,193</u>	<u>\$ 5,243,013</u>	<u>\$ 3,355,080</u>

3. Credit facilities:

The Association has a Letter of Agreement with the Bank of Montreal for the following credit facilities:

- Access to an operating facility for up to \$1,000,000. The credit facility bears interest at the bank's prime rate plus 0.75% and is repayable on demand. Balance of this lending facility as at year end is fully available.
- A demand, non-revolving loan, maturing May 31, 2031 and bearing interest at prime plus 1.25%, with respect to construction financing. Assuming payment of the loan is not demanded, minimal principal payments are required in each of the next five fiscal years and thereafter as follows:

2019	\$ 74,434
2020	74,434
2021	74,434
2022	74,434
2023	74,434
Thereafter	607,881
	<u>\$ 980,051</u>

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Credit facilities (continued):

- (c) A fixed rate and fixed five year term loan to finance the purchase of Suite 306, 75 Front Street East on September 1, 2017. The interest rate on the loan is prime plus 1.25% and is amortized over 20 years. Interest is calculated monthly in arrears and payable monthly. Balance of this loan as at March 31, 2018 is \$1,469,683. Assuming payment of the loan is not demanded, minimal principal payments are required in each of the next five fiscal years and thereafter as follows:

2019	\$ 53,227
2020	55,181
2021	57,206
2022	59,306
2023	61,483
Thereafter	1,183,280
	<hr/> \$ 1,469,683 <hr/>

- (d) A demand non-revolving loan up to \$350,000 to finance cost of capital improvements to Suite 306, 75 Front Street. The Association has not used this facility. Balance as at March 31, 2018 is nil.

- (e) Corporate Mastercard - credit limit \$150,000.

These facilities are secured by a collateral first mortgage over 75 Front Street East, 2nd Floor and Suites 201, 301, 302, 303, 306, 308 and 309, Toronto, Ontario in the amount of \$4,000,000 and an assignment of fire insurance over the units aforementioned.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$63,811 (2017 - \$20,095), which includes amounts payable for payroll-related taxes.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred revenue:

	2018	2017
Projects revenue	\$ 1,960,212	\$ 598,550
Provincial priority membership	90,799	439,476
Membership fees - Youth Group	89,092	89,092
Shared services fees	54,425	–
Other member contributions	16,000	–
Deferred public engagement contributions	–	79,568
	<u>\$ 2,210,528</u>	<u>\$ 1,206,686</u>

6. Investment in capital assets:

(a) Net investment in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 5,243,013	\$ 3,355,080
Amount financed by credit facilities	(2,449,734)	(1,054,488)
	<u>\$ 2,793,279</u>	<u>\$ 2,300,592</u>

(b) Net change in investment in capital assets is as follows:

	2018	2017
Purchase of capital assets	\$ 2,126,850	\$ 169,894
Principal repayment of credit facilities	104,754	74,434
Proceeds from credit facilities	(1,500,000)	–
	<u>\$ 731,604</u>	<u>\$ 244,328</u>

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Pension plan:

The Association participates in the Ontario Municipal Employees Retirement System contributory defined benefit pension plan, which is a multi-employer defined benefit pension plan. The plan provides pension benefits to most of its employees. The Association follows defined contribution accounting for its contributions, as permitted by the Chartered Professional Accountants of Canada Handbook Section 3462, Employee Future Benefits, under multi-employer benefit plans. The amount of contributions made in the current fiscal year amounts to \$569,800 (2017 - \$470,211).

8. Lease commitments:

The Association has an equipment lease that expires on October 31, 2023.

2019	\$ 3,936
2020	3,936
2021	3,936
2022	3,936
2023	2,295
	<hr/>
	\$ 18,039

9. Interest rate risk:

The Company's credit facilities have variable interest rate. As a result, the Company is exposed to interest rate risk due to fluctuations in the variable rates.

10. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.