Financial Statements of

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

And Independent Auditors' Report thereon

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Ontario Association of Children's Aid Societies (the Entity), which comprise:

- the balance sheet as at March 31, 2019
- the statement of revenue and expenses for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its result of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 16, 2019

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Balance Sheet

March 31, 2019, with comparative information for 2018

	Operating Fund	Special Bursary Fund	2019 Total	2018 Total
Assets				
Current assets:				
Cash	$ 1,018,964	$ 133,202	$ 1,152,166	$ 1,809,167
Accounts receivable	3,864,110	–	3,864,110	3,303,864
Prepaid deposits and expenses	50,723	–	50,723	5,392
	4,933,797	133,202	5,066,999	5,118,423
Capital assets (note 2)	5,100,652	–	5,100,652	5,243,013
	$ 10,034,449	$ 133,202	$ 10,167,651	$ 10,361,436
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	$ 2,266,979	$ –	$ 2,266,979	$ 1,731,687
Deferred revenue (note 4)	1,737,827	–	1,737,827	2,210,528
Credit facilities (note 5)	960,798	–	960,798	1,033,278
	4,965,604	–	4,965,604	4,975,493
Long-term portion of credit facilities (note 5)	1,361,274	–	1,361,274	1,416,456
Fund balances:				
Invested in capital assets (note 6)	2,778,580	–	2,778,580	2,793,279
Externally restricted	–	133,202	133,202	123,452
Unrestricted	928,991	–	928,991	1,052,756
	3,707,571	133,202	3,840,773	3,969,487
Lease commitments (note 8)				
	$ 10,034,449	$ 133,202	$ 10,167,651	$ 10,361,436

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, 2019, with comparative information for 2018

	Operating Fund		Special Bursary Fund		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Government of Ontario	$ 10,260,262	$ 10,732,499	$ –	$ –	$ 10,260,262	$ 10,732,499
Membership fees	4,043,488	4,107,681	–	–	4,043,488	4,107,681
Shared services	2,820,002	–	–	–	2,820,002	–
Other revenue	981,543	682,732	–	–	981,543	682,732
Sales and registration fees	730,392	533,152	–	–	730,392	533,152
Donations	5,263	4,866	178,500	322,250	183,763	327,116
	18,840,950	16,060,930	178,500	322,250	19,019,450	16,383,180
Expenses:						
Salaries	8,320,762	6,201,750	–	–	8,320,762	6,201,750
Contracted professional services	3,723,361	3,179,619	–	–	3,723,361	3,179,619
Direct contract	2,599,641	2,976,245	–	–	2,599,641	2,976,245
Employee benefits	1,942,433	1,509,622	–	–	1,942,433	1,509,622
Office and administration	871,503	701,204	–	–	871,503	701,204
Facilities and equipment	424,619	419,775	–	–	424,619	419,775
Business travel and hospitality	381,030	358,357	–	–	381,030	358,357
Amortization of capital assets	270,220	238,917	–	–	270,220	238,917
Bursaries and grants	78,413	55,807	138,750	272,250	217,163	328,057
Other	142,981	289,887	30,000	30,000	172,981	319,887
Training development and recruitment	125,120	81,256	–	–	125,120	81,256
Loan interest	99,331	69,146	–	–	99,331	69,146
	18,979,414	16,081,585	168,750	302,250	19,148,164	16,383,835
Excess (deficiency) of revenue over expenses	$ (138,464)	$ (20,655)	$ 9,750	$ 20,000	$ (128,714)	$ (655)

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	Invested in capital assets	Operating Fund	Special Bursary Fund	Total 2019	Total 2018
Fund balances, beginning of year	$ 2,793,279	$ 1,052,756	$ 123,452	$ 3,969,487	$ 3,970,142
Excess (deficiency) of revenue over expenses	(270,220)	131,756	9,750	(128,714)	(655)
Net investment in capital assets (note 6)	255,521	(255,521)	–	–	–
Fund balances, end of year	$ 2,778,580	$ 928,991	$ 133,202	$ 3,840,773	$ 3,969,487

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (128,714)	$ (655)
Amortization of capital assets which does not involve cash	270,220	238,917
	141,506	238,262
Change in non-cash operating working capital:		
Accounts receivable	(560,246)	(1,721,446)
Prepaid deposits and expenses	(45,331)	228,622
Accounts payable and accrued liabilities	535,292	441,445
Deferred revenue	(472,701)	1,003,842
	(401,480)	190,725
Financing activities:		
Repayment of credit facilities	(127,662)	(104,754)
Proceeds from credit facilities	–	1,500,000
	(127,662)	1,395,246
Investing activities:		
Purchase of capital assets	(127,859)	(2,126,850)
Decrease in cash	(657,001)	(540,879)
Cash, beginning of year	1,809,167	2,350,046
Cash, end of year	$ 1,152,166	$ 1,809,167

See accompanying notes to financial statements.

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.

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 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. 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.

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.

2. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building	$ 6,723,809	$ 1,943,738	$ 4,780,071	$ 4,876,502
Furniture and equipment	376,437	257,030	119,407	135,119
Computer software	268,031	268,031	–	–
IT equipment	324,788	123,614	201,174	231,392
	$ 7,693,065	$ 2,592,413	$ 5,100,652	$ 5,243,013

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $39,557 (2018 - $63,811), which includes amounts payable for payroll-related taxes.

4. Deferred revenue:

	2019	2018
Projects revenue	$ 1,424,856	$ 1,960,212
Provincial priority membership	–	90,799
Membership fees - Youth Group	–	89,092
Shared services fees	64,043	54,425
Other member contributions	213,328	16,000
Other	35,600	–
	$ 1,737,827	$ 2,210,528

5. Credit facilities:

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

(a) 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.

5. Credit facilities (continued):

(b) 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:

2020	$ 74,434
2021	74,434
2022	74,434
2023	74,434
2024	74,434
Thereafter	533,447
	$ 905,617

(c) A fixed five-year term loan to finance the purchase of Suite 306, 75 Front Street East entered into on September 1, 2017. The interest rate on the loan is 3.61% and is amortized over 20 years. Minimal principal payments are required in each of the next four fiscal years as follows:

2020	$ 55,181
2021	57,206
2022	59,306
2023	1,244,762
	$ 1,416,455

(d) Access to a demand non-revolving loan up to $350,000 to finance cost of capital improvements to Suite 306, 75 Front Street. 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 ended is fully available.

(e) Corporate Mastercard (Shared Services Vendor Discount Program) - Credit Limit $2,500,000.

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

5. Credit facilities (continued):

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.

6. Invested in capital assets:

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

	2019	2018
Capital assets	$ 5,100,652	$ 5,243,013
Amount financed by credit facilities	(2,322,072)	(2,449,734)
	$ 2,778,580	$ 2,793,279

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

	2019	2018
Purchase of capital assets	$ 127,859	$ 2,126,850
Principal repayment of credit facilities	127,662	104,754
Proceeds from credit facilities	–	(1,500,000)
	$ 255,521	$ 731,604

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 $697,671 (2018 - $569,800).

8. Lease commitments:

The Association has an equipment lease that expires on October 31, 2022.

2020	$ 3,936
2021	3,936
2022	3,936
2023	2,295
	$ 14,103

9. Interest rate risk:

The Association's credit facilities have variable interest rates. As a result, the Association 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.