

Financial Statements of

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

Year ended March 31, 2017



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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, 2017, 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 qualified audit opinion.



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Basis for Qualified Opinion

In common with many not-for-profit organizations, Ontario Association of Children's Aid Societies derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether, as at and for the year March 31, 2016, any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses reported in the statement of revenue and expenses, excess (deficiency) of revenue over expenses reported in the statement of changes in fund balances, excess of revenue over expenses reported in the statement of cash flows and current assets and fund balances reported in the balance sheet. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2016.

Our opinion on the financial statements as at and for the year ended March 31, 2017 is also modified because of the possible effects of this matter on the comparability of the current year's figures to the prior year's figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter on the comparative information described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ontario Association of Children's Aid Societies as at March 31, 2017, 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 18, 2017
Vaughan, Canada

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Balance Sheet

March 31, 2017, with comparative information for 2016

			2017	2016
	Operating Fund	Special Bursary Fund	Total	Total
Assets				
Current assets:				
Cash	\$ 2,246,594	\$ 103,452	\$ 2,350,046	\$ 2,643,599
Accounts receivable	1,582,418	–	1,582,418	1,497,505
Prepaid deposits and expenses	234,014	–	234,014	52,946
	4,063,026	103,452	4,166,478	4,194,050
Capital assets (note 3)	3,355,080	–	3,355,080	3,389,342
	\$ 7,418,106	\$ 103,452	\$ 7,521,558	\$ 7,583,392

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accrued liabilities (note 5)	\$ 1,290,242	\$ –	\$ 1,290,242	\$ 1,829,494
Deferred revenue (note 6)	1,206,686	–	1,206,686	944,555
Credit facilities (note 4)	1,054,488	–	1,054,488	1,128,922
	3,551,416	–	3,551,416	3,902,971

Fund balances:

Invested in capital assets (note 7)	2,300,592	–	2,300,592	2,260,420
Externally restricted	–	103,452	103,452	175,706
Unrestricted	1,566,098	–	1,566,098	1,244,295
	3,866,690	103,452	3,970,142	3,680,421

Lease commitments (note 9)

	\$ 7,418,106	\$ 103,452	\$ 7,521,558	\$ 7,583,392
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See accompanying notes to financial statements.

Director

Director

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Revenue and Expenses

Year ended March 31, 2017, with comparative information for 2016

	Operating Fund		Special Bursary Fund		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Government of Ontario	\$ 9,713,643	\$ 9,014,740	\$ -	\$ -	\$ 9,713,643	\$ 9,014,740
Membership fees	3,411,210	3,316,600	-	-	3,411,210	3,316,600
Donations	325,339	30,372	325,996	272,744	651,335	303,116
Other	478,019	279,105	-	-	478,019	279,105
Registration fees	465,345	520,773	-	-	465,345	520,773
Publications	79,742	50,115	-	-	79,742	50,115
	<u>14,473,298</u>	<u>13,211,705</u>	<u>325,996</u>	<u>272,744</u>	<u>14,799,294</u>	<u>13,484,449</u>
Expenses:						
Purchased services and training services	5,604,113	5,143,515	-	-	5,604,113	5,143,515
Salaries	5,199,991	5,021,275	-	-	5,199,991	5,021,275
Employee benefits	1,242,124	1,167,980	-	-	1,242,124	1,167,980
Facility rental	427,039	365,278	-	-	427,039	365,278
Bursaries awarded	-	-	338,250	269,250	338,250	269,250
Office	315,024	370,882	-	-	315,024	370,882
Occupancy	309,307	275,117	-	-	309,307	275,117
Travel	245,815	167,842	-	-	245,815	167,842
Amortization of capital assets	204,156	207,582	-	-	204,156	207,582
Other	143,223	119,219	30,000	30,000	173,223	149,219
Equipment	171,465	123,671	-	-	171,465	123,671
Publications and promotions	133,765	59,115	-	-	133,765	59,115
Resources and memberships	74,387	81,656	-	-	74,387	81,656
Loan interest	43,055	46,798	-	-	43,055	46,798
Staff training	27,859	35,229	-	-	27,859	35,229
	<u>14,141,323</u>	<u>13,185,159</u>	<u>368,250</u>	<u>299,250</u>	<u>14,509,573</u>	<u>13,484,409</u>
Excess (deficiency) of revenue over expenses	\$ 331,975	\$ 26,546	\$ (42,254)	\$ (26,506)	\$ 289,721	\$ 40

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Invested in capital assets	Operating Fund	Special Bursary Fund	2017	Total 2016
Fund balances, beginning of year	\$ 2,260,420	\$ 1,274,295	\$ 145,706	\$ 3,680,421	\$ 3,680,381
Excess (deficiency) of revenue over expenses	(204,156)	536,131	(42,254)	289,721	40
Net investment in capital assets (note 7)	244,328	(244,328)	–	–	–
Fund balances, end of year	\$ 2,300,592	\$ 1,566,098	\$ 103,452	\$ 3,970,142	\$ 3,680,421

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 289,721	\$ 40
Items which do not involve cash:		
Amortization of capital assets	204,156	207,582
Realized loss on sale of donated shares	–	14,876
	<u>493,877</u>	<u>222,498</u>
Change in non-cash operating working capital:		
Accounts receivable	(84,913)	(476,717)
Prepaid deposits and expenses	(181,068)	49,130
Accounts payable and accrued liabilities	(539,252)	780,015
Deferred revenue	262,131	500,887
	<u>(49,225)</u>	<u>1,075,813</u>
Financing activities:		
Repayment of credit facilities	(74,434)	(74,435)
Investing activities:		
Proceeds on sale of investments	–	137,620
Purchase of capital assets	(169,894)	(19,815)
	<u>(169,894)</u>	<u>117,805</u>
Increase (decrease) in cash	(293,553)	1,119,183
Cash, beginning of year	2,643,599	1,524,416
Cash, end of year	<u>\$ 2,350,046</u>	<u>\$ 2,643,599</u>

See accompanying notes to financial statements.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements

Year ended March 31, 2017

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, using the restricted fund method of reporting contributions.

(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, 2017

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. Investments:

In 2015, the Association sold donated shares with a value of \$152,496 for cash proceeds of \$137,620 and realized a loss on sale of \$14,876.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 4,672,093	\$ 1,625,081	\$ 3,047,012	\$ 3,169,144
Furniture and equipment	335,762	185,865	149,897	181,858
Computer software	268,031	256,084	11,947	38,340
IT equipment	162,471	16,247	146,224	–
	<u>\$ 5,438,357</u>	<u>\$ 2,083,277</u>	<u>\$ 3,355,080</u>	<u>\$ 3,389,342</u>

4. Credit facilities:

The Association has 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.

The Association also has 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:

2018	\$ 74,434
2019	74,434
2020	74,434
2021	74,434
2022	74,434
Thereafter	682,318
	<u>\$ 1,054,488</u>

Both facilities are secured by a collateral first mortgage over 75 Front Street East, 2nd Floor and Units 301, 302, 303, 308 and 309, Toronto, Ontario in the amount of \$2,500,000 and an assignment of fire insurance over the units aforementioned.

The Association is required to comply with certain financial and non-financial covenants in accordance with the terms of the operating facility. As at March 31, 2017, the Association was in compliance with these covenants.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$20,095 (2016 - \$16,736), which includes amounts payable for payroll-related taxes.

6. Deferred revenue:

	2017	2016
Projects revenue	\$ 598,550	\$ 589,139
Provincial Priority Membership	439,476	171,006
Membership fees - Youth Group	89,092	89,092
Deferred public engagement contributions	79,568	79,568
Green Shield demonstration project	—	15,170
Deferred publication subscription fees	—	580
	<u>\$ 1,206,686</u>	<u>\$ 944,555</u>

7. Investment in capital assets:

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

	2017	2016
Capital assets	\$ 3,355,080	\$ 3,389,342
Amount financed by credit facilities	(1,054,488)	(1,128,922)
	<u>\$ 2,300,592</u>	<u>\$ 2,260,420</u>

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

	2017	2016
Purchase of capital assets	\$ 169,894	\$ 19,815
Repayment of credit facilities	74,434	74,435
	<u>\$ 244,328</u>	<u>\$ 94,250</u>

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. 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 \$470,211 (2016 - \$455,022).

9. Lease commitments:

The Association has an equipment lease which expires on September 30, 2017 with a commitment for the remaining six months in fiscal 2018 of \$107,950.