

Financial Statements of

**CHATHAM-KENT CHILDREN'S
SERVICES**

Year ended March 31, 2017



INDEPENDENT AUDITORS' REPORT

To the Members of Chatham-Kent Children's Services

We have audited the accompanying financial statements of Chatham-Kent Children's Services which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets 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 the basis of accounting disclosed in Note 1 to the financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chatham-Kent Children's Services as at March 31, 2017, and its results of operations, changes in net assets and cash flows for the year then ended in accordance with the basis of accounting in Note 1 to the financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of preparation used in these financial statements. These financial statements are prepared for the Ministry of Youth and Children's Services and the Board of Directors. As a result these financial statements may not be suitable for another purpose.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 28, 2017
Windsor, Canada

CHATHAM-KENT CHILDREN'S SERVICES

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CHATHAM-KENT CHILDREN'S SERVICES

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash (note 3)	\$ 2,974,160	\$ 3,148,717
Accounts receivable - Ontario	78,726	101,164
Accounts receivable - Trade	340,908	506,692
Prepaid expenses	303,216	88,374
	<u>3,697,010</u>	<u>3,844,947</u>
Capital assets (note 4)	6,770,759	6,586,249
Other assets - RESP's (note 5)	887,714	821,118
	<u>\$ 11,355,483</u>	<u>\$ 11,252,314</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued charges (note 6)	\$ 2,866,475	\$ 3,179,169
Funding repayable (note 7)	287,914	179,977
Deferred revenue (note 8)	322,779	263,448
Current portion of long-term debt (note 10)	234,848	220,848
	<u>3,712,016</u>	<u>3,843,442</u>
Trust funds	9,876	17,587
Long-term debt:		
RESP's (note 5)	887,714	821,118
Long-term debt (note 10)	1,967,011	2,202,871
	<u>2,854,725</u>	<u>3,023,989</u>
Net assets:		
Invested in capital assets (note 12)	4,568,900	4,162,530
Internally restricted (note 11)	212,126	216,091
Operating deficit	<u>(2,160)</u>	<u>(11,325)</u>
	4,778,866	4,367,296
Commitments (note 14)		
Contingencies (note 17)		
	<u>\$ 11,355,483</u>	<u>\$ 11,252,314</u>

See accompanying notes to financial statements.

On behalf of the Board:

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Consolidated Operations

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

	2017	2016
Revenue:		
Province of Ontario	\$ 24,061,704	\$ 23,954,781
Municipality of Chatham-Kent	2,482,221	2,552,328
Other agencies	396,845	245,864
Expenditure recoveries and other	863,753	1,082,398
Fundraising	65,949	66,913
Proceeds of assets	367,522	-
	<u>28,237,994</u>	<u>27,902,284</u>
Expenditures:		
Salaries and benefits	17,867,950	17,255,639
Travel	781,917	755,441
Boarding payments	4,068,956	4,628,494
Other	5,523,137	5,353,760
	<u>28,241,960</u>	<u>27,993,334</u>
Excess of expenditures over revenue	\$ (3,966)	\$ (91,050)

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Changes in Net Assets

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

2017	Invested in capital assets	Internally restricted	Operations	Total
Balance, beginning of year	\$ 4,162,530	\$ 216,091	\$ (11,325)	\$ 4,367,296
Excess of expenditures over revenue (schedules)	-	(3,965)	(1)	(3,966)
Amortization	(448,013)	-	-	(448,013)
Mitigation of historical deficits	-	-	9,166	9,166
Net investment in capital assets (note 12)	854,383	-	-	854,383
Balance, end of year	\$ 4,568,900	\$ 212,126	\$ (2,160)	\$ 4,778,866

2016	Invested in capital assets	Internally restricted	Operations	Total
Balance, beginning of year	\$ 4,480,794	\$ 307,141	\$ (11,325)	\$ 4,776,610
Excess of revenue over expenditures (schedules)	-	(91,050)	-	(91,050)
Amortization	(483,149)	-	-	(483,149)
Write down of capital assets (note 4)	(766,030)	-	-	(766,030)
Net investment in capital assets (note 12)	930,915	-	-	930,915
Balance, end of year	\$ 4,162,530	\$ 216,091	\$ (11,325)	\$ 4,367,296

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of expenditures over revenue	\$ (3,966)	\$ (91,050)
Items not involving cash:		
Loss on disposal of capital assets	83,773	42,554
Mitigation of prior year deficits	9,166	-
Change in non-cash operating working capital (note 13)	(179,757)	(476,034)
	(90,784)	(524,530)
Investing:		
Additions to capital assets	(1,083,818)	(763,999)
Proceeds on sale of capital assets	367,522	-
Net change to capital assets (note 12)	854,383	930,915
	138,087	166,916
Financing:		
Repayment of long-term debt	(221,860)	(209,470)
Decrease in cash	(174,557)	(567,084)
Cash, beginning of year	3,148,717	3,715,801
Cash, end of year	\$ 2,974,160	\$ 3,148,717

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements

Year ended March 31, 2017

The Chatham-Kent Children's Services (the "Service") was incorporated under the laws of Ontario on March 5, 1998 without share capital and is a registered charity under the Income Tax Act. It provides support services to the children and youth of Chatham-Kent and their families in accordance with service and financing agreements in place with its funding partners. The Service operates under the regulations and financial policies of the Ministry of Community and Social Services, the Ministry of Children and Youth Services, the Broader Public Sector Accountability Act, 2010, Ministry of Education and the Municipality of Chatham-Kent.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards allowing for the financial reporting requirements of the funding organizations, including the Ministry of Children and Youth Services and Ministry of Community and Social Services. More specifically the statement of operations includes certain expenditures that are not typically included as expenditures. These amounts include a charge for capital asset additions and principal payments on long-term debt and at the same time are included on the statements of financial position, with a transfer recorded on the statement of changes in net assets. Also, the statement of operations does not include a charge for amortization of capital assets as this is recorded as part of the statement of changes in net assets. In addition, in 2016 and years prior, the recovery of HST is included in the statement of operations as an expenditure recovery and not as a reduction of the related expenditures. In the current year expenses are recorded net of HST rebates.

(b) Cash:

Cash consists of cash on hand and the balance on account any investments with maturity dates of less than three months.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are reported at their original cost and amortized using the straight-line method over the estimated following useful lives:

Buildings	40 years
Equipment and furnishing:	
Technology equipment	3 years
Communication equipment	5 years
Furniture and other equipment	10 years

(d) Revenue recognition:

Contributions from funding organizations are recognized as revenue in the year of receipt except in the following:

- (i) Contributions relating to approved expenditures not yet incurred are credited to deferred revenue to match the funding organization's fiscal year.
- (ii) Unexpended funds at the end of the year from contributions to the operating fund, reduce contribution revenue and are reported as amounts repayable, unless approval has been received to use excess funds for specific upcoming expenditures. Over expenditures may not be recovered.

(e) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are reported 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. Management has elected to record any future interest rate swaps at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. As the Service has no financial instruments recognized at fair value, the Service does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures.

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include the valuation of accounts receivable and capital assets. Actual results could differ from those estimates.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. **Balanced Budget Fund and Future Access to Surplus:**

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. To be eligible to access these funds, the Service must meet two conditions:

- (1) the Service must have generated a prior year surplus recovered in or after 2013-2014; and
- (2) the Service must require additional funding 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, and withdrawals from the fund must be approved by the Ministry.

3. **Cash:**

Cash includes the following amounts, some of which are restricted.

	2017	2016
Operating:		
General use	\$ 2,208,992	\$ 2,573,097
Ontario Child Benefit equivalent	146,172	137,818
Deferred revenue	176,608	125,630
RESP funds	107,942	80,632
Trust funds	9,876	17,569
Internally restricted (note 11)	324,570	213,971
	<u>\$ 2,974,160</u>	<u>\$ 3,148,717</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land:				
215 Murray Street Chatham	\$ -	\$ -	\$ -	\$ 67,000
Buildings:				
215 Murray Street Chatham	-	-	-	381,000
495 Grand Avenue West Chatham	9,566,175	3,079,991	6,486,184	5,830,156
Equipment and furnishing	790,558	505,983	284,575	308,093
	<u>\$10,356,733</u>	<u>\$ 3,585,974</u>	<u>\$ 6,770,759</u>	<u>\$ 6,586,249</u>

During the year the property at 215 Murray Street was sold for proceeds of \$367,522, which were used to repair the roof of 495 Grand Avenue West.

5. Other assets – RESP's:

The Service has received from the Ministry of Children and Youth funds equivalent to the amounts received as Universal Child Care Benefits to be used to establish Registered Education Savings Plans (RESP's) for qualifying children ages birth to seventeen in the care of the agency. These funds have been invested in accordance with the directions from the Ministry of Children and Youth.

6. Accounts payable and accrued charges:

	2017	2016
Accounts payable and accrued charges	\$ 2,844,602	\$ 3,158,590
Government remittances payable	21,873	20,579
	<u>\$ 2,866,475</u>	<u>\$ 3,179,169</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Funding repayable:

The Service has several contracts with the Ministry of Community and Social Services and the Ministry of Children and Youth Services. A reconciliation report summarizes, by detailed code, all revenues and expenditures and identifies any resulting surplus or deficit that relates to the contracts. A review of this report shows the following services to be in a surplus position as at March 31. Any surplus amounts are reflected in funding repayable.

	2017	2016
DS Supported Group Living 8847	\$ 48,076	\$ -
C&FI Non-residential A556	2,467	-
CYMH Counselling A349 Partner	-	24,023
Facility Renewal A710	53,636	-
Child Welfare (prior year)	-	155,954
Child Welfare (current year)	183,735	-
	<u>\$ 287,914</u>	<u>\$ 179,977</u>

8. Deferred revenue:

Deferred revenue consists:

	2017	2016
Province of Ontario:		
Ontario Child Benefit equivalent	\$ 146,171	\$ 137,818
Other funders:		
Special needs resourcing	134,132	120,000
Best Start	42,476	5,630
	<u>\$ 322,779</u>	<u>\$ 263,448</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Bank indebtedness:

The Service has available a revolving credit limit of \$500,000 available to them. The credit limit bears interest on Canadian dollar loans which will be calculated on the basis of the provisions of the CIBC offsetting banking agreement for the Chatham-Kent Lambton Administrators Group ("CKLAG"), The balance at year end was \$nil (2016 - \$nil). The Service also has available a \$50,000 overdraft protection. The balance at year end was \$nil (2016 - \$nil).

10. Long-term debt:

	2017	2016
5.98% fixed term facility, banker's acceptance plus a 0.30% acceptance fee, payable in scheduled monthly instalments of interest rate and principal of \$14,000-\$20,000, fixed portion of the interest rate and monthly payments are permanent for the term of the facility, secured by buildings. Repayable in full June 1, 2020.	\$ 2,064,339	\$ 2,251,351
Variable prime minus .50% term loan payable in monthly principal instalments of \$2,904, plus interest renewing December 2020, secured by land and buildings	137,520	172,368
	2,201,859	2,423,719
Current portion	234,848	220,848
	\$ 1,967,011	\$ 2,202,871

The minimum principal repayments required over the next four years are as follows:

2018	\$ 234,848
2019	245,848
2020	260,848
2021	1,460,315

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

11. Internally restricted and non-operating:

Internally restricted funds represent amounts contributed or designated for special projects or specific use as determined. Amounts received or disbursed are included in the statement of operations.

Non-operating funds represent amounts earned by the Service from fundraising activities. These amounts are available for use as directed by the board of directors. Amounts received or disbursed are included in the statement of operations.

The land and building at 215 Murray Street, Chatham was sold in September 2016 and the proceeds were spent, with the approval of Ministry of Children and Youth Services, on building repairs to 495 Grand Avenue West, Chatham. All funds were spent by March 31, 2017.

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 6,770,759	\$ 6,586,249
Less: long-term debt	2,201,859	2,423,719
	<u>\$ 4,568,900</u>	<u>\$ 4,162,530</u>

Net invested in capital assets is calculated as follows:

	2017	2016
Capital assets purchased	\$ 1,083,818	\$ 763,999
Capital assets disposed	(451,295)	(42,554)
Repayment of long-term debt	221,860	209,470
	<u>\$ 854,383</u>	<u>\$ 930,915</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

13. Net change in non-cash working capital items:

	2017	2016
Accounts receivable	\$ 188,222	\$ (193,054)
Prepaid expenses	(214,842)	12,924
Accounts payable and accrued changes	(312,694)	90,860
Funding repayable	107,937	(403,807)
Deferred revenue	59,331	14,987
Trust funds	(7,711)	2,056
	<u>\$ (179,757)</u>	<u>\$ (476,034)</u>

14. Commitments:

The Service leases land at 495 Grand Avenue West, Chatham; under the terms of the lease expiring December 2053, the future minimum annual lease payments are \$27,600.

15. Pension agreements:

The service makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan. The Plan is a defined benefit plan, with contributions made by both the employee and employer. As a result \$2,709,500 (2016 - \$2,700,684) was contributed to OMERS in the current year. The OMERS plan is currently in a funding deficit position.

16. Financial risks:

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk:

In management's opinion the Service is not exposed to significant credit risk.

(b) Concentration of risk:

In management's opinion the Service is not exposed to any significant concentrations of risk.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2017

16. Financial risks (continued):

(c) Interest rate risk (cash flow, risk and price risk):

The Service is exposed to interest rate risk. Interest rate risk is the risk that the Service has on interest rate exposure on a portion of its long-term debt, which is variable based on the bank's prime rates. This exposure may have an effect on its cash flows in future periods. The Service reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. In the opinion of management the interest rate risk exposure to the Service is low and is not material. There has been no change to the risk exposures from 2016.

(d) Liquidity risk:

The Service has significant financial liabilities outstanding including accounts payable and accrued charges. The Service is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. The Service manages its liquidity risk by monitoring operating requirements and prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

(e) Market risk:

In management's opinion the Service is not exposed to significant market risk.

(f) Foreign currency risk:

In management's opinion the Service is not exposed to significant foreign currency risk.

17. Contingencies:

Due to the nature of its operations, the Service and/or its directors or employees are periodically subject to lawsuit(s) in which they are defendants. In the opinion of management, the ultimate resolution of any current lawsuit(s) would not have a material effect on the financial position or results of operations of the Service.

CHATHAM-KENT CHILDREN'S SERVICES

Schedule - Operating

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

	2017	2016
Revenue:		
Province of Ontario	\$ 24,061,704	\$ 23,954,781
Municipality of Chatham-Kent	2,482,221	2,552,328
Other agencies	396,845	245,864
<u>Expenditure recoveries and other</u>	<u>858,806</u>	<u>1,070,473</u>
	27,799,576	27,823,446
Expenditures:		
Salaries and benefits	17,867,950	17,255,639
Travel	781,917	755,441
Boarding payments	4,068,956	4,628,494
<u>Other</u>	<u>5,080,754</u>	<u>5,183,872</u>
Total expenditures	27,799,577	27,823,446
<u>Excess of expenditures over revenue</u>	<u>\$ (1)</u>	<u>\$ -</u>

CHATHAM-KENT CHILDREN'S SERVICES

Schedule - Non-Operating

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

	2017	2016
Revenue:		
Fundraising	\$ 65,949	\$ 66,913
Proceeds of assets	367,522	-
Expenditure recoveries and other	4,947	11,924
	<u>438,418</u>	<u>78,837</u>
Expenditures:		
Program expenses	71,246	51,930
Fundraising expenses	619	-
Capital acquisitions	370,518	117,957
	<u>442,383</u>	<u>169,887</u>
Excess of expenditures over revenue	\$ (3,965)	\$ (91,050)