



**The Children's Aid Society
of Haldimand and Norfolk**
Financial Statements
For the years ended March 31, 2018 and March 31, 2017



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Independent Auditor's Report

To the Board of Directors and Members of The Children's Aid Society of Haldimand and Norfolk

We have audited the accompanying financial statements of The Children's Aid Society of Haldimand and Norfolk, which comprise the statements of financial position as at March 31, 2018 and the statement of operations, statement of changes in fund balances, statement of cash flows and the statement of remeasurement gains and losses for the year then ended and a summary of 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 public sector accounting standards, 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.

Auditor's 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures and cash flows from operations for the years ended March 31, 2018 and 2017, current assets and fund balances as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Children's Aid Society of Haldimand and Norfolk as at March 31, 2018 and the results of its operations, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario
June 28, 2018

The Children's Aid Society of Haldimand and Norfolk
Statements of Financial Position

	Operating Fund	Restricted Funds	Endowment Fund	Total March 31, 2018	Total March 31, 2017
Assets					
Current assets					
Cash (Note 3)	\$ 659,682	\$ 23,997	\$ 110,071	\$ 793,751	\$ 242,346
Restricted cash (Note 4)	285,036	-	-	285,036	316,915
Accounts receivable (Note 5)	179,854	-	-	179,854	271,052
Ministry receivable (Note 6)	296,446	-	-	296,446	672,900
Prepaid expenses	136,029	-	-	136,029	104,046
Due from other funds (Note 13)	-	38,962	-	38,962	37,592
	<u>1,557,048</u>	<u>62,959</u>	<u>110,071</u>	<u>1,730,079</u>	<u>1,644,851</u>
Long term investments (Note 7)	-	-	626,632	626,632	616,113
Capital assets (Note 8)	-	2,300,222	-	2,300,222	2,367,765
	<u>\$ 1,557,048</u>	<u>\$ 2,363,181</u>	<u>\$ 736,703</u>	<u>\$ 4,656,933</u>	<u>\$ 4,628,729</u>
Liabilities and Fund Balances					
Current liabilities					
Bank indebtedness (Note 3)	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities (Note 9)	1,190,690	-	-	1,190,690	1,101,330
Other liabilities (Note 10)	299,711	-	-	299,711	276,862
Due to other funds (Note 13)	24,119	-	14,843	38,962	37,592
Interest rate swap (Note 11)	-	14,322	-	14,322	42,411
Current portion of long-term debt (Note 11)	-	255,000	-	255,000	242,000
	<u>1,514,520</u>	<u>269,322</u>	<u>14,843</u>	<u>1,798,685</u>	<u>1,700,195</u>
Long-term debt (Note 11)	-	200,000	-	200,000	455,000
	<u>1,514,520</u>	<u>469,322</u>	<u>14,843</u>	<u>1,998,685</u>	<u>2,155,195</u>
Fund balances					
Invested in capital assets	-	1,845,222	-	1,845,222	1,670,765
Externally restricted (Note 12)	14,593	-	132,819	147,412	165,424
Internally restricted	-	62,959	589,041	652,000	651,820
Unrestricted	27,936	-	-	27,936	27,936
	<u>42,529</u>	<u>1,908,181</u>	<u>721,860</u>	<u>2,672,570</u>	<u>2,515,945</u>
Accumulated remeasurement losses	-	(14,322)	-	(14,322)	(42,411)
	<u>\$ 1,557,048</u>	<u>\$ 2,363,181</u>	<u>\$ 736,703</u>	<u>\$ 4,656,933</u>	<u>\$ 4,628,729</u>

On behalf of the Board:

The accompanying notes are an integral part of these financial statements.

The Children's Aid Society of Haldimand and Norfolk

Statement of Operations

For the year ended March 31

	2018				2017			
	Operating Fund	Restricted Funds	Endowment Fund	Total	Operating Fund	Restricted Funds	Endowment Fund	Total
Revenue								
Province of Ontario	\$ 19,629,067	\$ 40,000	\$ -	\$ 19,669,067	\$ 20,170,190	\$ 246,406	\$ -	\$ 20,416,596
Province of Ontario - BBF (Note 17)	268,501	-	-	268,501	631,899	-	-	631,899
Province of Ontario- One time funding	20,400	-	-	20,400	220,000	-	-	220,000
Other income (Note 14)	732,782	-	-	732,782	1,078,681	-	-	1,078,681
Expenditure recoveries	6,148	-	-	6,148	44,734	-	-	44,734
Donations	-	21,684	2,975	24,659	-	24,674	11,332	36,006
Interest income	-	-	14,946	14,946	-	-	14,394	14,394
Other	-	12,672	-	12,672	-	11,967	-	11,967
	20,656,898	74,355	17,921	20,749,174	22,145,504	283,047	25,726	22,454,277
Expenditures								
Salaries and wages	10,573,463	-	-	10,573,463	10,803,264	-	-	10,803,264
Employee benefits	2,575,748	-	-	2,575,748	2,569,372	-	-	2,569,372
Boarding rate payments	3,967,090	-	-	3,967,090	4,801,761	-	-	4,801,761
Travel	843,235	-	-	843,235	895,939	-	-	895,939
Clients' personal needs	500,436	-	-	500,436	565,791	-	-	565,791
Health and related	327,838	-	-	327,838	378,421	-	-	378,421
Financial assistance	497,525	-	-	497,525	423,889	-	-	423,889
Building occupancy	279,128	-	-	279,128	291,424	-	-	291,424
Amortization	-	148,716	-	148,716	-	150,046	-	150,046
Interest on long term debt	-	31,249	-	31,249	-	45,644	-	45,644
Office administration	128,232	-	-	128,232	148,260	-	-	148,260
Technology	105,221	-	-	105,221	156,155	-	-	156,155
Professional services - non-client	76,786	-	-	76,786	46,041	-	-	46,041
Professional services - client	175,831	-	-	175,831	219,456	-	-	219,456
Training and recruitment	108,603	-	-	108,603	88,959	-	-	88,959
Promotion and publicity	27,192	-	-	27,192	15,851	-	-	15,851
Program expenses	23,018	32,095	20,000	75,113	4,436	26,546	18,500	49,482
Other miscellaneous	151,144	-	-	151,144	155,724	-	-	155,724
	20,360,490	212,059	20,000	20,592,550	21,564,743	222,236	18,500	21,805,479
Surplus	\$ 296,408	\$ (137,704)	\$ (2,079)	\$ 156,625	\$ 580,761	\$ 60,811	\$ 7,226	\$ 648,798
Surplus repayable to Ministry (Note 16)	-	-	-	-	-	-	-	-
Excess of revenue over expenditures (Note 15)	\$ 296,408	\$ (137,704)	\$ (2,079)	\$ 156,625	\$ 580,761	\$ 60,811	\$ 7,226	\$ 648,798

The accompanying notes are an integral part of these financial statements.

The Children's Aid Society of Haldimand and Norfolk
Statement of Changes in Fund Balances
For the year ended March 31

	2018			2017			
	Operating Fund	Restricted Funds	Endowment Fund	Operating Fund	Restricted Funds	Endowment Fund	Total
Fund balance, beginning of year	\$ 60,541	\$ 1,731,465	\$ 723,939	\$ (135,113)	\$ 1,285,547	\$ 716,713	\$ 1,867,147
Transfer to (from) other funds (Note 13)	(314,420)	314,420	-	(385,107)	385,107	-	-
Excess of revenue over expenditures	296,408	(137,704)	(2,079)	580,761	60,811	7,226	648,798
Fund balance, end of year	\$ 42,529	\$ 1,908,181	\$ 721,860	\$ 60,541	\$ 1,731,465	\$ 723,939	\$ 2,515,945

The Children's Aid Society Of Haldimand and Norfolk
Statement of Cash Flows
For the year ended March 31

	2018	2017
Cash flows from operating activities		
Operating fund	\$ 296,408	\$ 580,761
Restricted funds	(137,704)	60,811
Endowment funds	(2,079)	7,226
Items not involving cash		
Amortization	148,716	150,046
	<u>305,340</u>	<u>798,844</u>
Changes in non-cash working capital balances		
Accounts receivable	91,198	60,637
Ministry receivable	376,454	24,552
Prepaid expenses	(31,983)	16,169
Accounts payable and accrued liabilities	89,360	179
Ministry payable	-	-
Other liabilities	22,849	42,678
	<u>853,217</u>	<u>943,059</u>
Cash flows used in capital activities		
Purchase of capital assets	(81,172)	(355,869)
	<u>(81,172)</u>	<u>(355,869)</u>
Cash flows from (used in) investing activities		
Decrease (increase) in restricted cash	31,879	(5,509)
Increase in investments	(10,519)	(9,300)
	<u>21,360</u>	<u>(14,809)</u>
Cash flows used in financing activities		
Repayment of long-term debt	(242,000)	(230,000)
	<u>(242,000)</u>	<u>(230,000)</u>
Increase in cash during the year	551,405	342,381
Cash (Bank indebtedness), beginning of year	242,346	(100,035)
Cash, end of year	<u>\$ 793,751</u>	<u>\$ 242,346</u>
Represented by:		
Cash	\$ 793,751	\$ 242,346
Bank indebtedness	-	-
	<u>\$ 793,751</u>	<u>\$ 242,346</u>
Supplemental disclosure:		
Interest paid	\$ 31,249	\$ 45,644
Interest received	\$ 14,966	\$ 15,929

The accompanying notes are an integral part of these financial statements.

The Children's Aid Society Of Haldimand and Norfolk
Statement of Remeasurement Gains and Losses
For the year ended March 31

	2018	2017
Accumulated remeasurement losses at beginning of year	(42,411)	(79,889)
Unrealized gains attributable to:		
Derivative - interest rate swap	28,089	37,478
Net remeasurement gains for the year	28,089	37,478
Accumulated remeasurement losses at end of year	<u>(14,322)</u>	<u>(42,411)</u>

The accompanying notes are an integral part of these financial statements.

The Children's Aid Society of Haldimand and Norfolk
Notes to the Financial Statements
For the years ended March 31, 2018 and March 31, 2017

1. Purpose of the Organization

The Children's Aid Society of Haldimand and Norfolk (the "Society") is a not-for-profit organization whose mandate is to provide child protection services to the local community under the Child and Family Services Act. The Society is incorporated under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

(a) 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").

(b) Fund accounting

The Operating Fund accounts for the Society's operating and administration activities. Details of the Operating Fund can be found in Schedule 1.

The Operating Fund consists of the following funds:

The Child Welfare Fund records monies received from the Ministry of Children and Youth Services ("Ministry") to provide services as required under the Child and Family Services Act.

The Ontario Child Benefit Equivalent (OCBE) Fund records monies received from the provincial government for the OCBE Activities and Savings programs. The OCBE Activities program is used to provide all children and youth in care with access to recreational, educational, cultural and social opportunities. The OCBE Savings program assists older youth who have been in care for an extended period of time to have funds available to support their transition to independent living. The revenues and expenditures in this Fund represent monies received and spent for the OCBE Activities Fund. Savings owed through the OCBE Savings program are presented as other liabilities in this Fund.

The LIFT Fund reports resources used for the portion of the organization's LIFT (Living Independently for Tomorrow) program which is funded by the Ministry as a separate transfer payment program. There are no assets, liabilities or fund balances for this fund.

The Broader Public Sector (BPS) Fund reports resources used for the Society's pay equity plan. This program is funded by the Ministry as a separate transfer payment program. There are no assets, liabilities or fund balances for this fund.

The Restricted Funds consists of the following funds:

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets. This fund includes money received from the Ministry through the Infrastructure Renewal Program which is funded by the Ministry as a separate transfer payment program.

The Fresh Air Fund reports restricted resources used to provide summer camp and recreational experiences for disadvantaged children in our communities. This Fund

The Children's Aid Society of Haldimand and Norfolk
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is supported entirely through community donations.

The Other Restricted Funds includes:

- The Wellness Fund which reports restricted resources used for the Society's wellness program. The fund balance for this fund at March 31, 2018 is \$27,165.
- The Youth in Motion Fund which reports restricted resources used for the Society's Youth in Motion program. The fund balance for this fund at March 31, 2018 is \$3,742.

The Endowment Fund reports resources contributed for endowment. A portion of this Fund has been internally restricted to provide educational grants for post-secondary education to youth transitioning from care.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and short term investment savings that are readily convertible to cash, net of bank overdrafts.

(d) Financial instruments

The Society classifies its financial instruments as either fair value or amortized cost. The Society's accounting policy for each category is as follows:

Fair value:

This category includes cash, restricted cash, bank indebtedness and derivative financial instruments which includes an interest rate swap. These instruments are initially recognized at cost and subsequently carried 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.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

When a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations of the related fund. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized cost:

This category includes accounts receivable, long-term investments, accounts payable and accrued liabilities, and mortgage payable.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

The Children's Aid Society of Haldimand and Norfolk
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(e) Capital assets

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. When a capital asset no longer contributes to the Society's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Amortization expense is reported in the Capital Fund. Amortization is provided on a straight-line basis over the assets estimated useful lives as follows:

- Building and building improvements – between 10 and 40 years
- Furniture and equipment - between 3 and 13 years
- Computer hardware – between 3 and 5 years
- Computer software – between 1.5 and 5 years

(f) Revenue recognition

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund at the time they are received or receivable.

Unrestricted contributions are recognized as revenue of the Child Welfare Fund in the year receivable if the amount can be reasonably estimated and collection is reasonably assured. Ministry revenues for the fiscal year are not finalized until the Ministry has reviewed and approved the Child Welfare Transfer Payment Annual Reconciliation which does not occur until after the financial statements are issued. The amount of revenue recognized in these financial statements represents management's best estimate of amounts earned during the year.

Contributions for endowment are recognized as revenue in the Endowment Fund when received.

(g) Contributed services

Volunteers contribute a large number of hours each year to assist the organization in carrying out its service activities. Based on the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(h) Contributed materials

Contributed materials with a determinable market value are recorded at their fair market value. All other in-kind contributions are not recorded.

(i) Use of Estimates

The preparation of financial statements in accordance with PSAB for Government NPOs 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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant areas requiring management estimates include amortization of capital assets and calculation of accrued liabilities.

The Children's Aid Society of Haldimand and Norfolk
Notes to the Financial Statements
For the years ended March 31, 2018 and March 31, 2017

3. Cash and bank indebtedness

The Society's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate. The Society also has an investment savings account held by an investment manager associated with the bank. These funds are readily convertible to cash and earn interest at 1%.

The Society has a line of credit available which bears interest at Royal Bank Prime. The maximum authorized credit limit is \$1,150,000 of which \$0 (2017 - \$0) is outstanding at year end. The credit facility is secured by a General Security Agreement granting a security interest in the undertaking and all personal property owned by the organization.

4. Restricted cash

Restricted cash consists of cash held in savings accounts for youth for the OCBE Savings program and bank balances consisting of cash restricted for the OCBE Activities program and RESP restricted cash. Further details of these amounts are in Note 10.

5. Accounts receivable

	2018	2017
Trade accounts receivable	\$ 26,016	\$ 75,137
HST rebate	153,708	190,761
Other	130	5,154
	<u>\$179,854</u>	<u>\$ 271,052</u>

6. Ministry receivable (payable)

	2018	2017
Operating revenue receivable	\$ 268,501	\$ 631,899
Transfer payment funding receivable (payable)	0	(10,494)
Targeted subsidies receivable	27,945	51,495
	<u>\$ 296,446</u>	<u>\$ 672,900</u>

The above amounts are due from (to) the Ministry of Children and Youth Services. Further information regarding the operating revenue receivable (payable) is in Notes 16 and 17.

7. Investments

Investments are carried at amortized cost and consist of GIC's with effective interest rates ranging from 1.91% to 2.6% per annum and maturity dates ranging from June 2018 to September 2022. These investments have a cost of \$573,587 (2017 - \$595,730) and an amortized cost of \$626,632 (2017 - \$616,113).

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8. Capital assets

	2018		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 93,200	\$ -	\$ 93,200
Buildings	3,214,986	1,248,002	1,966,984
Furniture and equipment	1,433,430	1,308,145	125,285
Computer hardware	516,493	409,998	106,495
Computer software	127,605	119,347	8,258
	<u>\$ 5,385,715</u>	<u>\$ 3,085,493</u>	<u>\$ 2,300,222</u>

	2017		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 93,200	\$ -	\$ 93,200
Buildings	3,214,986	1,157,221	2,057,765
Furniture and equipment	1,389,225	1,289,786	99,439
Computer hardware	479,527	376,525	103,002
Computer software	127,605	113,246	14,359
	<u>\$ 5,304,543</u>	<u>\$ 2,936,778</u>	<u>\$ 2,367,765</u>

During the year, capital assets were acquired at an aggregate cost of \$81,172 (2017 - \$355,869) and \$0 (2017 - \$0) of fully depreciated capital assets were disposed.

9. Accounts payable and accrued liabilities

	2018	2017
Accounts payable	\$ 681,203	\$ 660,266
Accrued liabilities	509,487	441,064
	<u>\$ 1,190,690</u>	<u>\$ 1,101,330</u>

10. Other liabilities

	2018	2017
OCBE Savings payable	\$ 161,255	\$ 193,473
RESP contributions payable	138,456	83,389
	<u>\$ 299,711</u>	<u>\$ 276,862</u>

The OCBE Savings payable represents funds received from the Ministry for the purpose of supporting the transition of youth in care to independent living (known as the OCBE Savings program). Amounts are paid to youth when they are 18 years old or discharged and meet the requirements of the savings program. OCBE Savings balances are owing to children in care. These funds are invested in separate savings accounts and there is an offsetting balance presented as Restricted Cash in the Operating Fund (Note 4).

The RESP contributions payable represent funds received from Canada Revenue Agency for children in care for the Universal Child Care Benefit (UCCB). These funds were received for children under six years of age. Beginning July 2015, UCCB funds were received for all children under eighteen years of age. The Society holds these funds in trust as directed by the

The Children's Aid Society of Haldimand and Norfolk
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Ministry until a Registered Education Savings Plan (RESP) is established for each qualifying child. These funds are presented as Restricted Cash in the Operating Fund (Note 4).

During the year \$78,892 (2017 - \$155,082) was transferred into RESPs and \$21,577 was transferred out to parents of children (2017 - \$24,118). There was an additional \$1,730 of contributions that were withdrawn by youth attending post-secondary education (2017 - \$1,720). At March 31, 2018, \$633,127 (2017 - 579,948) is held in trust in RESP's. This amount represents the contributions of the Society and does not include additional government grants directed into the RESPs. These funds are not shown in the financial statements of the Society.

11. Long-term debt

The long term debt is a loan payable to the Royal Bank at a variable interest rate based on the three month BA rate repayable in quarterly payments as set out by the bank in the loan agreement. It is secured by a general security agreement granting to the bank a security interest in the undertaking and all personal property now or hereafter owned by the organization and a collateral 1st charge mortgage covering commercial property where the organization's premises are located and is due on December 5, 2019. The carrying value of the assets pledged for security is \$2,300,222.

The Society has entered into an interest rate swap at a notional amount of \$455,000 which will expire on December 5, 2019 to fix the interest rate at 5.11% per annum over the term of the long term debt facility, in exchange for a Canadian BA based floating rate. The fair value of the swap is based on amounts quoted by the bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at March 31, 2018. The swap agreement is in a net unfavourable position of \$14,322 (2017 - \$42,411). This fair value is recorded in the statement of financial position with fluctuations recorded in the statement of remeasurement gains and losses.

Principal repayments for the next two years are as follows:

2019	255,000
2020	200,000
	<u>455,000</u>
	<u>\$ 455,000</u>

12. Externally restricted fund balances:

Externally restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Endowment Fund – Webster estate	132,819	132,819
OCBE Fund – Activities fund	14,593	32,605
	<u>\$ 147,412</u>	<u>\$ 165,424</u>

The funds from the Webster Estate represent a bequest and as per the conditions of the will, the principal will not be spent. Income earned on these funds is recognized as other income in the Endowment Fund.

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13. Transfers to other funds

An amount of \$314,420 (2017 - \$385,107) was transferred from the Operating Fund to the Capital Fund to fund the cash outlays for capital asset acquisitions and mortgage principal and interest payments.

Any outstanding balances between funds at year end are unsecured and non-interest bearing.

14. Other income – Operating Fund

	2018	2017
Child Tax Benefit and Child Disability Benefit payments	\$ 688,614	\$ 961,604
Interest income	614	1,534
Other income	43,554	107,376
Charitable revenue	0	8,167
	<u>\$ 732,782</u>	<u>\$ 1,078,681</u>

15. Excess (deficiency) of revenues over expenditures

The Child Welfare funding received from the Ministry includes funding for capital acquisitions as well as for costs of occupancy. In accordance with PSAB for Government NPO's, the Capital Fund accounts for capital asset purchases, mortgage payments and amortization of the capital assets of the organization, including the building premises. Transfers are made from the Child Welfare Fund to the Capital Fund each year to fund the cash outlays (capital asset acquisitions and mortgage payments) (see Note 13). During the year \$314,420 was transferred from the Child Welfare Fund to the Capital Fund. The excess of revenues over expenditures in the Child Welfare fund, after the transfer to the Capital fund is \$nil. The surplus for Ministry reporting is \$nil. The difference between PSAB for Government NPO's and Ministry reporting is due to minor timing differences.

16. Surplus repayable to Ministry

The Society has a legal requirement to return any surplus of the Child Welfare Fund, as calculated for Ministry reporting, to the Ministry. During 2017, the Society generated a deficit and requested additional funding from the Balanced Budget Fund. During 2018, the Society generated a deficit and requested additional funding from the Balanced Budget Fund (See Note 17).

17. Balanced Budget Fund

In fiscal 2014, the Ministry announced the creation of a Balanced Budget Fund to support Children's Aid Societies in meeting the balanced budget requirement and to proactively manage the risks associated with a multi-year budget planning process. The Balanced Budget Fund is an amount for each Society, up to the Society's accumulated surplus (as calculated for Ministry reporting) that has been returned to the Ministry following the implementation of the new funding model in 2013/14.

The Balanced Budget Fund can be accessed to offset future deficits created by eligible child

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welfare expenditures. The Ministry may change the criteria to access the fund on an annual basis. The surplus put into the Balanced Budget Fund each year expires after a three year period. In 2018, the Ministry approved the Society to access the final balance of \$461,797 from the Balanced Budget Fund to offset the current year Ministry deficit. However, the current year Ministry deficit was \$268,501 and the Ministry will release only that amount. The remaining \$193,296 expired on March 31, 2018.

Balanced Budget Fund:

Surplus for Ministry reporting	Expiry	Initial Amount	Amount Accessed	Amount Expired	Ending Amount
2014/15	2018	\$ 461,797	(268,501)	193,296	\$ 0

The amount in the Balanced Budget Fund has not been reported in these financial statements.

18. Commitments

The Society has entered into operating leases for equipment under various terms. The minimum annual lease payments for the next five years are as follows:

2019	\$ 15,217
2020	13,041
2021	12,480
2022	9,175
2023	641

19. Post-employment Benefits

The Society is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer defined benefit pension plan. The member organizations are unable to identify their share of the underlying assets and liabilities. As a result, the benefit plan has been accounted for following the recommendations for defined contribution plans with the organization's contributions expensed in the period they are due.

Contribution rates ranged from 9.0% to 14.6% depending on the level of earnings. The OMERS pension plan has a deficit. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future. The pension expense for this plan is \$1,028,726 (2017 - \$1,024,241), and is included in Employee benefits expense in the Operating Fund Statement of Operations.

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20. Financial instrument classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2018		
	Fair Value	Amortized Cost	Total
Cash	\$ 793,751	-	\$793,751
Restricted cash	285,036	-	285,036
Accounts receivable	-	179,854	179,854
Ministry receivable	296,446	-	296,446
Long term investments	-	626,632	626,632
Accounts payable and accrued liabilities	-	1,190,690	1,190,690
Other liabilities	-	299,711	299,711
Interest rate swap	14,322	-	14,322
Long term debt	-	455,000	455,000

	2017		
	Fair Value	Amortized Cost	Total
Cash	\$ 242,346	-	\$242,346
Restricted cash	316,915	-	316,915
Accounts receivable	-	271,052	271,052
Ministry receivable	672,900	-	672,900
Long term investments	-	616,113	616,113
Bank indebtedness	-	-	0
Accounts payable and accrued liabilities	-	1,101,330	1,101,330
Other liabilities	-	276,862	276,862
Interest rate swap	42,411	-	42,411
Long term debt	-	697,000	697,000

Long term investments (Note 7) consists of GIC's and includes \$132,819 (2017 - \$132,819) of investments externally restricted for endowment purposes (Note 12).

The maturity profile of the investments is as follows:

	Within 1 year	Within 2-5 years	Total
Carrying value	\$ 114,234	\$ 512,398	\$ 626,632
Percent of total	18%	82%	

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The fair value hierarchy has the following levels for the fair value measurements:

- Level 1 - are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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- Level 3 - are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018			Total
	Level 1	Level 2	Level 3	
Cash	\$ 793,751	-	-	\$ 793,751
Restricted cash	285,036	-	-	285,036
Interest rate swap	-	-	14,322	14,322
Total	\$ 1,078,787	-	\$ 14,322	\$ 1,093,109

	2017			Total
	Level 1	Level 2	Level 3	
Cash	\$ 242,346	-	-	\$ 242,346
Restricted cash	316,915	-	-	316,915
Interest rate swap	-	-	42,411	42,411
Total	\$ 559,261	-	\$ 42,411	\$ 601,672

21. Financial Instrument Risk

Credit Risk:

Credit risk is the risk of financial loss that a debtor will fail to pay an amount owing to the Society. The organization is exposed to credit risk arising from its investments and accounts receivable.

The Society's investment portfolio consists of GIC's or bonds with at least an AA rating. There is no more than \$100,000 invested with any one corporate issuer. More information regarding long term investments can be found in Note 20.

The majority of the Organization's receivables are from government sources and the Organization ensures they meet all eligibility criteria to receive the funding.

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 subject to interest rate cash flow risk with respect to its floating rate long term debt and bank indebtedness. The Society has addressed the interest rate risk on the long term debt by entering into an interest rate swap agreement that exchanges the variable rate inherent in the debt for a fixed rate. Therefore fluctuations in market interest rates will not impact future cash flows. This swap is a derivative financial instrument and is recorded at its fair value based on quoted market values determined by the counterparty to the interest rate swap contracts.

Liquidity Risk

Liquidity risk is the risk that Society will not be able to meet all cash outflow obligations as they come due. Liquidity risk arises from accounts payable, other liabilities and mortgage payable. The Society receives funding as part of the Child Welfare revenue to fund the long term debt payments for the mortgage. The Society also mitigates liquidity risk by monitoring cash activities through detailed budgeting analysis and maintaining a line of credit as well as investments that could be converted to cash.

In 2014, the Ministry adopted a new Funding formula. Under this new formula the Society's base revenue will be reduced by 2% each year for five years. The Society achieved a surplus in 2014 and 2015 which was put into the Balanced Budget Fund to be accessed in future

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years if the Society is not able to achieve a balanced budget. The Society continues to actively manage costs in order to re-size the agency to prepare for these funding reductions.

There have been no significant changes from the previous year in the exposure to any type of risk or policies, procedures and methods used to measure the related risk.

22. Contingencies

The Society has been named as a defendant in lawsuits arising in the ordinary course of business. The Society has contested the claims. Legal counsel for the Society has advised that it is premature to make any evaluations of the possible outcome or possible settlement amount of these claims. Consequently, no provision for this claim had been made in the financial statements.

The Children's Aid Society of Haldimand and Norfolk
Schedule 1 - Operating Funds
For the year ended March 31

	2018					2017				
	Child Welfare	OCBe	LIFT	BPS	Total Operating	Child Welfare	OCBe	LIFT	BPS	Total Operating
Revenues										
Province of Ontario	\$ 19,329,848	\$ 110,526	\$162,224	\$ 26,469	\$ 19,629,067	\$ 19,836,075	\$ 145,422	\$162,224	\$ 26,469	\$ 20,170,190
Province of Ontario - BBF (Note 17)	268,501	-	-	-	268,501	631,899	-	-	-	631,899
Province of Ontario- One time funding	20,400	-	-	-	20,400	220,000	-	-	-	220,000
Other income (Note 14)	718,128	-	14,654	-	732,782	1,063,497	-	15,184	-	1,078,681
Expenditure recoveries	6,148	-	-	-	6,148	44,734	-	-	-	44,734
	20,343,025	110,526	176,878	26,469	20,656,898	21,796,205	145,422	177,408	26,469	22,145,504
Expenditures										
Salaries and wages	10,418,217	-	128,777	26,469	10,573,463	10,648,306	-	128,489	26,469	10,803,264
Employee benefits	2,542,095	-	33,652	-	2,575,748	2,535,720	-	33,652	-	2,569,372
Boarding rate payments	3,967,090	-	-	-	3,967,090	4,801,761	-	-	-	4,801,761
Travel	830,235	-	13,000	-	843,235	881,953	-	13,986	-	895,939
Clients' personal needs	371,898	128,538	-	-	500,436	413,034	152,757	-	-	565,791
Health and related	327,838	-	-	-	327,838	378,421	-	-	-	378,421
Financial assistance	497,525	-	-	-	497,525	423,889	-	-	-	423,889
Building occupancy	278,128	-	1,000	-	279,128	290,424	-	1,000	-	291,424
Office administration	128,232	-	-	-	128,232	148,260	-	-	-	148,260
Technology	105,221	-	-	-	105,221	156,155	-	-	-	156,155
Professional services - non-client	76,786	-	-	-	76,786	46,041	-	-	-	46,041
Professional services - client	175,831	-	-	-	175,831	219,456	-	-	-	219,456
Training and Recruitment	108,603	-	-	-	108,603	88,959	-	-	-	88,959
Promotion and publicity	27,192	-	-	-	27,192	15,851	-	-	-	15,851
Program expenses	22,569	-	449	-	23,018	4,155	-	281	-	4,436
Other miscellaneous	151,144	-	-	-	151,144	155,724	-	-	-	155,724
	20,028,605	128,538	176,878	26,469	20,360,490	21,208,109	152,757	177,408	26,469	21,564,743
Surplus (deficit)	\$ 314,420	\$ (18,012)	\$ 0	\$ -	\$ 296,408	\$ 588,096	\$ (7,335)	\$ -	\$ -	\$ 580,761
Surplus repayable to Ministry (Note 16)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenue over expenditures (Note 15)	\$ 314,420	\$ (18,012)	\$ 0	\$ -	\$ 296,408	\$ 588,096	\$ (7,335)	\$ -	\$ -	\$ 580,761
Fund balances, beginning of year	\$ 27,936	\$ 32,605	\$ -	\$ -	\$ 60,541	\$ (175,053)	\$ 39,940	\$ -	\$ -	\$ (135,113)
Transfer from (to) other funds	(314,420)	-	-	-	(314,420)	(385,107)	-	-	-	(385,107)
Excess (deficiency) of revenues over expenditures	314,420	(18,012)	0	-	296,408	588,096	(7,335)	-	-	580,761
Fund balances, end of year	\$ 27,936	\$ 14,593	\$ 0	\$ -	\$ 42,529	\$ 27,936	\$ 32,605	\$ -	\$ -	\$ 60,541

The Children's Aid Society of Haldimand and Norfolk
Schedule 2 - Restricted Funds - Statement of Financial Position

	Total March 31 2018			Total March 31 2017			
	Capital Fund	Fresh Air Fund	Other Restricted Funds	Capital Fund	Fresh Air Fund	Other Restricted Funds	Total March 31 2017
Assets							
Current assets							
Cash (Note 3)	\$ -	\$ 23,997	\$ -	\$ -	\$ 23,931	\$ -	\$ 23,931
Due from Operating Fund (Note 13)	-	8,054	30,907	-	9,047	27,722	36,769
	-	32,052	30,907	-	32,978	27,722	60,700
Capital assets (Note 8)	2,300,222	-	-	2,367,765	-	-	2,367,765
	<u>\$2,300,222</u>	<u>\$ 32,052</u>	<u>\$ 30,907</u>	<u>\$ 2,367,765</u>	<u>\$ 32,978</u>	<u>\$ 27,722</u>	<u>\$ 2,428,465</u>
Liabilities and Fund Balances							
Current liabilities							
Interest rate swap (Note 11)	14,322	-	-	42,411	-	-	42,411
Current portion of long-term debt (Note 11)	255,000	-	-	242,000	-	-	242,000
	269,322	-	-	284,411	-	-	284,411
Long-term debt (Note 11)	200,000	-	-	455,000	-	-	455,000
	469,322	-	-	739,411	-	-	739,411
Fund balances							
Invested in capital assets	1,845,222	-	-	1,670,765	-	-	1,670,765
Internally restricted	-	32,052	30,907	-	32,978	27,722	60,700
	1,845,222	32,052	30,907	1,670,765	32,978	27,722	1,731,465
Accumulated remeasurement losses	(14,322)	-	-	(42,411)	-	-	(42,411)
	<u>\$2,300,222</u>	<u>\$ 32,052</u>	<u>\$ 30,907</u>	<u>\$ 2,367,765</u>	<u>\$ 32,978</u>	<u>\$ 27,722</u>	<u>\$ 2,428,465</u>

The Children's Aid Society of Haldimand and Norfolk
Schedule 3 - Restricted Funds - Statement Of Operations and Changes in Fund Balances
For the year ended March 31

	2018				2017			
	Capital Fund	Fresh Air Fund	Other Restricted Funds	Total	Capital Fund	Fresh Air Fund	Other Restricted Funds	Total
Revenues								
Province of Ontario	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ 246,406	\$ -	\$ -	\$ 246,406
Donations	-	21,684	-	21,684	-	24,674	-	24,674
Other	-	-	12,672	12,672	-	-	11,967	11,967
	40,000	21,684	12,672	74,355	246,406	24,674	11,967	283,047
Expenditures								
Amortization	148,716	-	-	148,716	150,046	-	-	150,046
Building occupancy	-	-	-	-	-	-	-	-
Program expenses	-	22,610	9,485	32,095	-	19,458	7,088	26,546
Interest on long term debt	31,249	-	-	31,249	45,644	-	-	45,644
	179,964	22,610	9,485	212,059	195,690	19,458	7,088	222,236
Excess (deficiency) of revenues over expenditures	\$ (139,964)	\$ (926)	\$ 3,185	\$ (137,704)	\$ 50,716	\$ 5,216	\$ 4,879	\$ 60,811
Fund balances, beginning of year	\$ 1,670,765	\$ 32,978	\$ 27,722	\$ 1,731,465	\$ 1,234,942	\$ 27,762	\$ 22,843	\$ 1,285,547
Transfer from other funds	314,420	-	-	314,420	385,107	-	-	385,107
Excess (deficiency) of revenues over expenditures	(139,964)	(926)	3,185	(137,704)	50,716	5,216	4,879	60,811
Fund balances, end of year	\$ 1,845,222	\$ 32,052	\$ 30,907	\$ 1,908,181	\$ 1,670,765	\$ 32,978	\$ 27,722	\$ 1,731,465