

Financial Statements of

**CHATHAM-KENT CHILDREN'S
SERVICES**

Year ended March 31, 2016



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8
Canada

Telephone (519) 251-3500
Telefax (519) 251-3530
(519) 251-3540
Internet www.kpmg.ca

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, 2016 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential



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, 2016, 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 describe 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

June 30, 2016
Windsor, Canada

CHATHAM-KENT CHILDREN'S SERVICES

Table of Contents

Year ended March 31, 2016

Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 15
Schedule – Operating	16
Schedule – Non-Operating	17

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 3)	\$ 3,148,717	\$ 3,715,801
Accounts receivable - Ontario	101,164	156,905
Accounts receivable - Trade	506,692	257,897
Prepaid expenses	88,374	101,298
	<u>3,844,947</u>	<u>4,231,901</u>
Capital assets (note 4)	6,586,249	7,113,983
Other assets - RESP's (note 5)	821,118	682,248
	<u>\$ 11,252,314</u>	<u>\$ 12,028,132</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued charges (note 6)	\$ 3,179,169	\$ 3,088,309
Funding repayable (note 7)	179,977	583,784
Deferred revenue (note 8)	263,448	248,461
Current portion of long-term debt (note 10)	220,848	2,633,189
	<u>3,843,442</u>	<u>6,553,743</u>
Trust funds	17,587	15,531
Long-term debt:		
RESP's (note 5)	821,118	682,248
Long-term debt (note 10)	2,202,871	-
	<u>3,023,989</u>	<u>682,248</u>
Net assets:		
Invested in capital assets (note 12)	4,162,530	4,480,794
Internally restricted (note 11)	216,091	307,141
Operating deficit	(11,325)	(11,325)
	<u>4,367,296</u>	<u>4,776,610</u>
Commitments (note 14)		
Contingencies (note 17)		
	<u>\$ 11,252,314</u>	<u>\$ 12,028,132</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Province of Ontario	\$ 23,954,781	\$ 24,065,343
Municipality of Chatham-Kent	2,552,328	2,737,537
Other agencies	245,864	136,796
Expenditure recoveries and other	1,082,398	1,201,281
Fundraising	66,913	49,511
Proceeds of assets	-	144,378
	<u>27,902,284</u>	<u>28,334,846</u>
Expenditures:		
Salaries and benefits	17,255,639	17,419,794
Travel	755,441	840,861
Boarding payments	4,628,494	5,180,327
Other	5,353,760	4,777,479
	<u>27,993,334</u>	<u>28,218,461</u>
Excess of revenue over expenditures (expenditures over revenue)	\$ (91,050)	\$ 116,385

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

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 expenditures over revenue (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

2015	Invested in capital assets	Internally restricted	Operations	Total
Balance, beginning of year	\$ 4,279,908	\$ 190,787	\$ (11,356)	\$ 4,459,339
Excess of revenue over expenditures (schedules)	-	116,354	31	116,385
Amortization	(479,804)	-	-	(479,804)
Net investment in capital assets (note 12)	680,690	-	-	680,690
Balance, end of year	\$ 4,480,794	\$ 307,141	\$ (11,325)	\$ 4,776,610

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures (expenditures over revenue)	\$ (91,050)	\$ 116,385
Items not involving cash:		
Loss on disposal of capital assets	42,554	69,744
Change in non-cash operating working capital (note 13)	(476,034)	1,030,214
	(524,530)	1,216,343
Investing:		
Additions to capital assets	(763,999)	(475,536)
Net change to capital assets (note 12)	930,915	680,690
	166,916	205,154
Financing:		
Repayment of long-term debt	(209,470)	(274,898)
Increase (decrease) in cash	(567,084)	1,146,599
Cash, beginning of year	3,715,801	2,569,202
Cash, end of year	\$ 3,148,717	\$ 3,715,801

See accompanying notes to financial statements.

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements

Year ended March 31, 2016

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 and Ministry of Children and Youth Services and the Broader Public Sector Accountability Act, 2010.

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, the recovery of HST is included in the statement of operations as an expenditure recovery and not as a reduction of the related expenditures.

(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, 2016

1. Significant accounting policies (continued):

(c) Capital assets:

The land and buildings are reported at their original cost and amortized using the straight-line method over the estimated useful life of forty (40) years for the buildings.

The equipment is reported at its original cost and is amortized using the straight-line method at the following rates:

Technology equipment	3 years
Communication equipment	5 years
Furniture and other equipment	10 years
Vehicles	5 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, 2016

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, 2016

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.

	2016	2015
Operating:		
General use	\$ 2,573,097	\$ 3,046,585
Ontario Child Benefit equivalent	137,818	182,678
Deferred revenue	125,630	49,430
RESP funds	80,632	120,092
Trust funds	17,569	15,531
Internally restricted (note 11)	213,971	301,485
	<u>\$ 3,148,717</u>	<u>\$ 3,715,801</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land:				
215 Murray Street Chatham	\$ 67,000	\$ -	\$ 67,000	\$ 67,000
Buildings:				
215 Murray Street Chatham	1,581,807	1,200,807	381,000	1,186,575
495 Grand Avenue West Chatham	8,670,993	2,840,837	5,830,156	5,510,509
Equipment and furnishing	775,455	467,362	308,093	323,364
Vehicles	132,674	132,674	-	26,535
	\$ 11,227,929	\$ 4,641,680	\$ 6,586,249	\$ 7,113,983

During the year the property at 215 Murray Street was written down to its net realizable value. The total amount of the write down was \$766,030, resulting in a net realizable value of \$448,000. \$381,000 has been allocated to the building and \$67,000 to the land.

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 under the age of six 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:

	2016	2015
Accounts payable and accrued charges	\$ 3,158,590	\$ 3,071,165
Government remittances payable	20,579	17,144
	\$ 3,179,169	\$ 3,088,309

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

	2016	2015
SAFE Home studies A770	\$ -	\$ 972
C&FI Non-residential A556	-	28,500
CYMH Counselling A349	24,023	24,023
Child Welfare (prior year)	-	530,289
Child Welfare (current year)	155,954	-
	\$ 179,977	\$ 583,784

8. Deferred revenue:

Deferred revenue consists:

	2016	2015
Province of Ontario:		
Ontario Child Benefit equivalent	\$ 137,818	\$ 182,678
Other funders:		
Special needs resourcing and other	120,000	56,353
Best Start	5,630	9,430
	\$ 263,448	\$ 248,461

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 (2015 - \$nil). The Service also has available a \$50,000 overdraft protection. The balance at year end was \$nil (2015 - \$nil).

10. Long-term debt:

	2016	2015
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-\$19,000, 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.	\$ 2,251,351	\$ 2,425,973
Variable prime minus .50% term loan payable in monthly principal instalments of \$2,904, plus interest renewing December 2020, secured by land and buildings	172,368	207,216
	2,423,719	2,633,189
Current portion	220,848	2,633,189
	\$ 2,202,871	\$ -

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

Of the original sale proceeds for the property at 440 King Street, \$nil (2015 - \$109,993) remains as of March 31, 2016. The proceeds were designated for a capital expenditure project which was completed and paid for by March 31, 2016. The project was completed in fiscal 2015-16 and the funds totally expended. The small balance remaining is interest and sales tax rebates earned in the year.

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 6,586,249	\$ 7,113,983
Less: long-term debt	2,423,719	2,633,189
	<u>\$ 4,162,530</u>	<u>\$ 4,480,794</u>

Net invested in capital assets is calculated as follows:

	2016	2015
Capital assets purchased	\$ 721,445	\$ 405,792
Repayment of long-term debt	209,470	274,898
	<u>\$ 930,915</u>	<u>\$ 680,690</u>

CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2016

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

	2016	2015
Accounts receivable	\$ (193,054)	\$ 353,801
Prepaid expenses	12,924	7,950
Accounts payable and accrued changes	90,860	251,052
Funding repayable	(403,807)	484,394
Deferred revenue	14,987	(77,706)
Trust funds	2,056	10,723
	<u>\$ (476,034)</u>	<u>\$ 1,030,214</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 \$12,600.

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 \$2,700,684 (2015 - \$2,783,711) was contributed to OMERS. 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, 2016

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.

(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 2015.

(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

Notes to Financial Statements (continued)

Year ended March 31, 2016

18. Adoption of new accounting policy:

The Service adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective April 1, 2015. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Service adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

CHATHAM-KENT CHILDREN'S SERVICES

Schedule - Operating

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Province of Ontario	\$ 23,954,781	\$ 24,065,343
Municipality of Chatham-Kent	2,552,328	2,737,537
Other agencies	245,864	136,796
Expenditure recoveries and other	1,070,473	1,193,050
	<u>27,823,446</u>	<u>28,132,726</u>
Expenditures:		
Salaries and benefits	17,255,639	17,419,794
Travel	755,441	840,861
Boarding payments	4,628,494	5,180,327
Other	5,183,872	4,691,713
Total expenditures	<u>27,823,446</u>	<u>28,132,695</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 31</u>

CHATHAM-KENT CHILDREN'S SERVICES

Schedule - Non-Operating

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Fundraising	\$ 66,913	\$ 49,511
Proceeds of assets	-	144,378
Expenditure recoveries and other	11,924	8,231
	<u>78,837</u>	<u>202,120</u>
Expenditures:		
Program expenses	51,930	46,911
Capital acquisitions	117,957	38,855
	<u>169,887</u>	<u>85,766</u>
Excess of revenue over expenditures (expenditures over revenue)	\$ (91,050)	\$ 116,354

