



Financial Statements of

**CHATHAM-KENT CHILDREN'S  
SERVICES**

Year ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of Chatham-Kent Children's Services

### ***Opinion***

We have audited the financial statements of Chatham-Kent Children's Services (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 1 to the financial statements.

### ***Basis for Opinion***

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

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

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

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework.

The financial statements are prepared to assist the Entity to meet the financial reporting requirements of the funding organizations, including the Ministry of Children and Youth Services and Ministry of Community and Social Services.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting disclosed in note 1 to the financial statements; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the 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.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the financial reporting provisions as disclosed in note 1 will always detect a material misstatement when it exists.

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

As part of an audit in accordance with the financial reporting provisions as disclosed in note 1, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada  
June 20, 2019

# CHATHAM-KENT CHILDREN'S SERVICES

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Year ended March 31, 2019

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# CHATHAM-KENT CHILDREN'S SERVICES

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

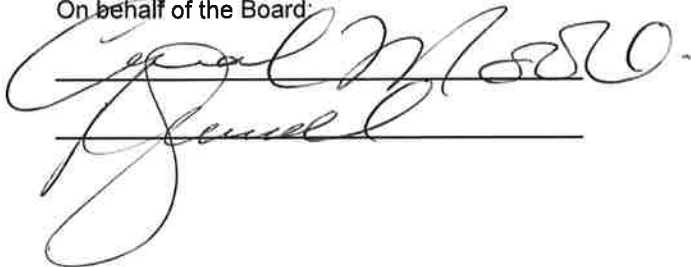
	2019	2018
<b>Assets</b>		
Current assets:		
Cash (note 3)	\$ 3,674,056	\$ 2,842,953
Accounts receivable - Ontario	282,734	47,694
Accounts receivable - Trade	176,788	309,294
Prepaid expenses	73,273	87,298
	<u>4,206,851</u>	<u>3,287,239</u>
Capital assets (note 4)	6,647,615	6,918,364
Other assets - RESP's (note 5)	1,051,791	940,945
	<u>\$ 11,906,257</u>	<u>\$ 11,146,548</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges (note 6)	\$ 3,618,932	\$ 2,765,003
Funding repayable (note 7)	25,723	103,729
Deferred revenue (note 8)	319,933	197,600
Current portion of long-term debt (note 10)	260,848	247,848
	<u>4,225,436</u>	<u>3,314,180</u>
Trust funds	19,398	15,532
Long-term debt:		
RESP's (note 5)	1,051,791	940,945
Long-term debt (note 10)	1,459,799	1,720,707
	<u>2,511,590</u>	<u>2,661,652</u>
Net assets:		
Invested in capital assets (note 12)	4,926,968	4,949,809
Internally restricted (note 11)	225,023	207,534
Operating deficit	(2,158)	(2,159)
	<u>5,149,833</u>	<u>5,155,184</u>
Commitments (note 14)		
Contingencies (note 17)		
	<u>\$ 11,906,257</u>	<u>\$ 11,146,548</u>

See accompanying notes to financial statements.

On behalf of the Board:



Carol M. 2020

# CHATHAM-KENT CHILDREN'S SERVICES

## Statement of Operations

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

	2019	2018
Revenue:		
Province of Ontario	\$ 23,307,417	\$ 24,436,066
Municipality of Chatham-Kent	2,301,966	2,620,898
Other agencies	354,396	347,338
Expenditure recoveries and other	830,284	971,697
Fundraising	68,566	53,162
	<u>26,862,629</u>	<u>28,429,161</u>
Expenditures:		
Salaries and benefits	17,897,518	17,567,951
Travel	722,718	904,936
Boarding payments	4,389,932	5,094,043
Other	3,834,971	4,866,822
	<u>26,845,139</u>	<u>28,433,752</u>
Excess (deficiency) of expenditures over revenue	\$ 17,490	\$ (4,591)

See accompanying notes to financial statements.

# CHATHAM-KENT CHILDREN'S SERVICES

## Statement of Changes in Net Assets

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

2019	Invested in capital assets	Internally restricted	Operations	Total
Balance, beginning of year	\$ 4,949,809	\$ 207,534	\$ (2,159)	\$ 5,155,184
Excess of expenditures over revenue (schedules)	-	17,489	1	17,490
Amortization	(371,780)	-	-	(371,780)
Net investment in capital assets (note 12)	348,939	-	-	348,939
Balance, end of year	\$ 4,926,968	\$ 225,023	\$ (2,158)	\$ 5,149,833

2018	Invested in capital assets	Internally restricted	Operations	Total
Balance, beginning of year	\$ 4,568,900	\$ 212,126	\$ (2,160)	\$ 4,778,866
Excess of expenditures over revenue (schedules)	-	(4,592)	1	(4,591)
Amortization	(404,744)	-	-	(404,744)
Net investment in capital assets (note 12)	785,653	-	-	785,653
Balance, end of year	\$ 4,949,809	\$ 207,534	\$ (2,159)	\$ 5,155,184

See accompanying notes to financial statements.



# CHATHAM-KENT CHILDREN'S SERVICES

## Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of expenditures over revenue	\$ 17,490	\$ (4,591)
Items not involving cash:		
Loss on disposal of capital assets	783	1,536
Change in non-cash operating working capital (note 13)	813,613	(126,616)
	<u>831,886</u>	<u>(129,671)</u>
Investing:		
Additions to capital assets	(101,814)	(553,885)
Net change to capital assets (note 12)	348,939	785,653
	<u>247,125</u>	<u>231,768</u>
Financing:		
Repayment of long-term debt	(247,908)	(233,304)
Increase (decrease) in cash	831,103	(131,207)
Cash, beginning of year	2,842,953	2,974,160
Cash, end of year	<u>\$ 3,674,056</u>	<u>\$ 2,842,953</u>

See accompanying notes to financial statements.

# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements

Year ended March 31, 2019

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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.

### (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, 2019

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## 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:

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

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### (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, 2019

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## 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, 2019

## 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.

	2019	2018
Operating:		
General use	\$ 3,016,393	\$ 2,301,978
Ontario Child Benefit equivalent	204,815	173,219
Deferred revenue	115,118	24,381
RESP funds	94,272	118,862
Trust funds	19,398	15,532
Internally restricted (note 11)	224,060	208,981
	<u>\$ 3,674,056</u>	<u>\$ 2,842,953</u>

# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 4. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Buildings:				
495 Grand Avenue West Chatham	\$ 10,044,008	\$ 3,581,872	\$ 6,462,136	\$ 6,700,475
Equipment and furnishing	532,960	347,481	185,479	217,889
	<u>\$ 10,576,968</u>	<u>\$ 3,929,353</u>	<u>\$ 6,647,615</u>	<u>\$ 6,918,364</u>

## 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:

	2019	2018
Accounts payable and accrued charges	\$ 3,600,565	\$ 2,745,139
Government remittances payable	18,367	19,864
	<u>\$ 3,618,932</u>	<u>\$ 2,765,003</u>

# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 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 (deficit) position as at March 31. Any surplus amounts are reflected in funding repayable.

	2019	2018
DS Supported Group Living 8847	\$ —	\$ 48,076
Education Liaison A763	19,834	—
C&FI Non-residential A556	1,063	2,467
Intensive Treatment A353	6,311	—
Facility Renewal A710	—	53,636
Child Welfare (prior year)	(450)	—
Child Welfare (current year)	(1,035)	(450)
	\$ 25,723	\$ 103,729

## 8. Deferred revenue:

Deferred revenue consists:

	2019	2018
Province of Ontario:		
Ontario Child Benefit equivalent	\$ 204,815	\$ 173,219
Other funders:		
Special needs resourcing and other	115,118	24,381
	\$ 319,933	\$ 197,600

# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 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 (2018 - \$nil). The Service also has available a \$50,000 overdraft protection. The balance at year end was \$nil (2018 - \$nil).

## 10. Long-term debt:

	2019	2018
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.	\$ 1,652,824	\$ 1,865,884
Variable prime minus .50% term loan payable in monthly principal instalments of \$2,904, plus interest renewing December 2020, secured by land and buildings	67,823	102,671
	<u>1,720,647</u>	<u>1,968,555</u>
Current portion	260,848	247,848
	<u>\$ 1,459,799</u>	<u>\$ 1,720,707</u>

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

2020	\$ 260,848
2021	<u>1,459,799</u>



# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 11. Internally restricted and non-operating funds:

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.

## 12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 6,647,615	\$ 6,918,364
Less: long-term debt	1,720,647	1,968,555
	<u>\$ 4,926,968</u>	<u>\$ 4,949,809</u>

Net invested in capital assets is calculated as follows:

	2019	2018
Capital assets purchased	\$ 101,814	\$ 553,885
Capital assets disposed	(783)	(1,536)
Repayment of long-term debt	247,908	233,304
	<u>\$ 348,939</u>	<u>\$ 785,653</u>

# CHATHAM-KENT CHILDREN'S SERVICES

Notes to Financial Statements (continued)

Year ended March 31, 2019

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

	2019	2018
Accounts receivable	\$ (102,534)	\$ 62,646
Prepaid expenses	14,025	215,918
Accounts payable and accrued changes	853,929	(101,472)
Funding repayable	(78,006)	(184,185)
Deferred revenue	122,333	(125,179)
Trust funds	3,866	5,656
	<u>\$ 813,613</u>	<u>\$ (126,616)</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 \$2,748,279 (2018 - \$2,539,784) 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, 2019

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## 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 2018.

### (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 2018.

### (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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Province of Ontario	\$ 23,307,417	\$ 24,436,066
Municipality of Chatham-Kent	2,301,966	2,620,898
Other agencies	354,396	347,338
<u>Expenditure recoveries and other</u>	<u>825,238</u>	<u>967,970</u>
	26,789,017	28,372,272
Expenditures:		
Salaries and benefits	17,897,518	17,567,951
Travel	722,718	904,936
Boarding payments	4,389,932	5,094,043
Other	3,778,848	4,805,341
<u>Total expenditures</u>	<u>26,789,016</u>	<u>28,372,271</u>
<u>Excess of revenue over expenditures</u>	<u>\$ 1</u>	<u>\$ 1</u>

# CHATHAM-KENT CHILDREN'S SERVICES

Schedule - Non-Operating

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

	2019	2018
Revenue:		
Fundraising	\$ 68,566	\$ 53,162
Expenditure recoveries and other	5,046	3,726
	<u>73,612</u>	<u>56,888</u>
Expenditures:		
Program expenses	56,123	61,480
Excess (deficiency) of revenue over expenditures	<u>\$ 17,489</u>	<u>\$ (4,592)</u>