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**FAMILY AND CHILDREN'S SERVICES OF  
LANARK, LEEDS AND GRENVILLE**

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**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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MARCH 31, 2018  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Family and Children's Services of  
Lanark, Leeds and Grenville

We have audited the accompanying financial statements of Family and Children's Services of Lanark, Leeds and Grenville, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances, cash flows and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 misstatements, 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

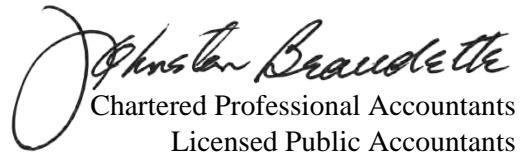
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family and Children's Services of Lanark, Leeds and Grenville as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

July 25, 2018


  
Chartered Professional Accountants  
Licensed Public Accountants

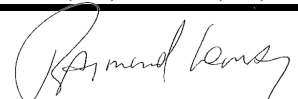
# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018

	Operating Fund	Capital Fund	Donation Fund	2018	2017
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 222,553	\$ 222,553	\$ 673,934
Accounts receivable (Note 3)	1,581,371	44,029	-	1,625,400	1,154,509
Prepaid expenses	202,229	-	-	202,229	206,676
	1,783,600	44,029	222,553	2,050,181	2,035,119
<b>LONG TERM INVESTMENTS</b>			500,000	500,000	-
<b>CAPITAL ASSETS (Note 4)</b>	-	3,866,583	-	3,866,583	3,236,189
	\$ 1,783,600	\$ 3,910,612	\$ 722,553	\$ 6,416,765	\$ 5,271,308
<b>CURRENT LIABILITIES</b>					
Bank indebtedness (Note 5)	\$ 1,864,988	\$ 345,795	\$ -	\$ 2,210,783	\$ 405,085
Accounts payable and accrued liabilities (Note 6)	1,838,741	-	72,143	1,910,884	2,242,975
Deferred contributions (Note 7)	206,384	568,543	18,370	793,297	497,365
Current portion of long term debt (Note 9)	-	534,000	-	534,000	80,000
	3,910,113	1,448,338	90,513	5,448,964	3,225,425
<b>LONG TERM DEBT (Note 9)</b>	-	646,760	-	646,760	775,752
	3,910,113	2,095,098	90,513	6,095,724	4,001,177
<b>FUND BALANCES</b>					
Invested in capital assets	-	1,815,514	-	1,815,514	1,934,429
Internally restricted	-	-	632,040	632,040	519,065
Unrestricted	(2,249,983)	-	-	(2,249,983)	(1,260,841)
	(2,249,983)	1,815,514	632,040	197,571	1,192,653
Accumulated remeasurement gains	123,470	-	-	123,470	77,478
	(2,126,513)	1,815,514	632,040	321,041	1,270,131
	\$ 1,783,600	\$ 3,910,612	\$ 722,553	\$ 6,416,765	\$ 5,271,308

APPROVED ON BEHALF OF THE BOARD:

  
Director

  
Director

## FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

### STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2018

	Operating Fund	Capital Fund	Donation Fund	2018	2017
<b>REVENUES</b>					
Ministry funding	\$ 21,728,610	\$ -	\$ -	\$ 21,728,610	\$ 21,640,114
Recoveries and other income	1,059,351	-	27,627	1,086,978	948,461
Donations and grants	-	-	173,633	173,633	41,339
Investment income	4,520	-	3,651	8,171	19,186
Amortization of deferred contributions	-	46,487	-	46,487	109,544
	22,792,481	46,487	204,911	23,043,879	22,758,644
<b>EXPENSES</b>					
Salaries and benefits	13,952,272	-	-	13,952,272	12,902,796
Direct services for children	6,072,479	-	90,849	6,163,328	6,509,704
Administration	1,445,562	-	1,087	1,446,649	1,751,771
Travel and training	1,426,471	-	-	1,426,471	1,160,516
Occupancy	797,035	-	-	797,035	956,337
Interest on long term debt	87,804	-	-	87,804	47,210
Amortization	-	165,401	-	165,401	222,602
	23,781,623	165,401	91,936	24,038,960	23,550,936
<b>EXCESS OF EXPENSES OVER REVENUES</b>	(989,142)	(118,914)	112,975	(995,081)	(792,292)
<b>FUND BALANCES, beginning of year</b>	(1,260,841)	1,934,428	519,065	1,192,652	1,984,945
<b>FUND BALANCES, end of year</b>	\$ (2,249,983)	\$ 1,815,514	\$ 632,040	\$ 197,571	\$ 1,192,653

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	\$ (995,081)	\$ (792,292)
Amortization of capital assets	165,401	222,602
	(829,680)	(569,690)
Change in non-cash working capital:		
Increase in accounts receivable	(470,891)	(337,389)
Decrease in prepaid expenses	4,447	50,448
Increase (decrease) in accounts payable and accrued liabilities	(332,091)	156,095
Increase (decrease) in deferred contributions	295,932	(74,396)
	(1,332,282)	(774,932)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in Investments	(500,000)	-
Purchase of capital assets	(795,796)	(60,826)
	(1,295,796)	(60,826)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in bank indebtedness	1,805,697	405,085
Increase in short term loan	450,000	-
Mortgage principal repayments	(79,000)	(72,000)
Vehicle loan repayments	-	(8,448)
	2,176,697	324,637
<b>NET DECREASE IN CASH</b>	(451,381)	(511,121)
<b>CASH, beginning of year</b>	673,934	1,185,055
<b>CASH, end of year</b>	\$ 222,553	\$ 673,934

**FAMILY AND CHILDREN'S SERVICES OF  
LANARK, LEEDS AND GRENVILLE**

**STATEMENT OF REMEASUREMENT GAINS AND LOSSES  
FOR THE YEAR ENDED MARCH 31, 2018**

	Operating Fund	Capital Fund	Donation Fund	2018	2017
<b>ACCUMULATED REMEASUREMENT GAINS, beginning of year</b>	\$ 77,478	\$ -	\$ -	\$ 77,478	\$ 33,020
Unrealized gain attributable to:					
Derivative - interest rate swap	45,992	-	-	45,992	44,458
<b>ACCUMULATED REMEASUREMENT GAINS, end of year</b>	\$ 123,470	\$ -	\$ -	\$ 123,470	\$ 77,478



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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 1. DESCRIPTION OF OPERATIONS

Family and Children's Services of Lanark, Leeds and Grenville ("the Society") is a corporation incorporated without share capital under the Corporations Act (Ontario) and its operations are governed by the Child and Family Services Act (R.S.O. 1990). The Society is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

The Society was established on August 2, 2011 pursuant to Letters Patent of Amalgamation and an amalgamation agreement between the former Children's Aid Society of Brockville and the United Counties of Leeds and Grenville and the former Children's Aid Society of the County of Lanark and the Town of Smiths Falls.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Cash and cash equivalents

Cash consists of cash on deposit with a Canadian chartered bank less cheques issued and outstanding.

(b) Fund accounting

The financial statements separately disclose the activities of the following funds maintained by the Society:

Revenues and expenses for service delivery activities and administration are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to capital assets.

The Donation Fund reports the Society's fund-raising activities and expenditures not funded by the Ministry of Children, Community and Social Services.

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue recognition

The Society follows the deferral method of accounting for contributions, which includes donations and government grants.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Grants and donations received for capital purposes are deferred and amortized on a basis and rate corresponding with the amortization rate for the related capital assets.

### (d) Capital assets

Acquisitions of capital assets are recorded at cost in the Capital Fund. Amortization expense is reported in the Capital Fund and is provided using the straight line method over the following periods:

Building	30 years
Computer equipment	3 and 5 years
Furniture and equipment	10 years
Vehicles	3 and 5 years

### (e) Vacation entitlements

Vacation entitlements are recorded as accrued liabilities when earned.

### (f) Post-employment benefits

The Society provides post-employment health and dental benefits to its employees as well as life insurance benefits for pre-amalgamation non-union retirees.

The cost of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employees on a straight line basis.

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Financial instruments

The Society initially records its financial instruments on the statement of financial position at fair value. The Society subsequently measures all its financial instruments, except cash and cash equivalent and the interest rate swap arrangement, at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

#### (i) Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long term debt.

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.

#### (ii) Fair value

This category includes cash and cash equivalent and the interest rate swap arrangement.

Unrealized changes in the fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which time they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value 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 and fund balances. 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 and fund balances.

The interest rate swap arrangement is recorded at fair value with any realized gain or loss reflected in the statement of operations and changes in fund balances. Fair value is determined using "mark to market" quotations calculated by a Canadian chartered bank.

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Financial instruments (continued)

Financial instruments are classified into fair value hierarchy levels 1, 2 or 3 for the purpose of describing the basis of the inputs used to determine the fair market value of those amounts recorded at fair value, as described below:

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Fair value measurements are those derived market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Society's financial instruments are all classified at the fair value hierarchy Level 2.

The Society has elected to account for transactions at the trade date.

### (h) Use of estimates

The preparation of 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 the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the collectability of accounts receivable and the estimated useful life of capital assets.

### (i) Contributed services

Volunteers contribute a significant number of hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining the fair value, the value of contributed services is not recognized in the financial statements.

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 3. ACCOUNTS RECEIVABLE

	2018	2017
Due from other societies	\$ 82,698	\$ 189,797
Ministry of Children, Community and Social Services	621,644	381,585
General	921,058	583,127
	\$ 1,625,400	\$ 1,154,509

### 4. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Net carrying amount	Net carrying amount
Land	\$ 240,000	\$ -	\$ 240,000	\$ 240,000
Buildings	4,299,803	(798,940)	3,500,863	2,834,789
Computer equipment	1,025,437	(1,025,437)	-	-
Vehicles	-	-	-	9,760
Furniture and equipment	259,199	(133,479)	125,720	151,640
	\$ 5,824,439	(1,957,856)	\$ 3,866,583	\$ 3,236,189

The Society received financial assistance from the Province of Ontario for the construction of the building in Brockville. As a consequence, the Society may not sell, lease, mortgage or encumber or otherwise dispose of the building without the approval of the Province. Further, the Province may require, as a condition of that approval, that the Society reimburse the Province based on its proportionate share of the acquisition cost. The reimbursement, if required, would be 60% of the greater of the current market value or the proceeds of disposition.

The Society received financial assistance from the Province of Ontario to purchase the property in Perth. As a result, the Province has a 94% interest in the property. The Province of Ontario contributed \$2,201,595 when the property was acquired in 2004. As a consequence, the Society may not sell or otherwise dispose of the property without the approval of the Province. Further, the Province may require, as a condition of that approval, that the Society reimburse the Province based on its proportionate share of the acquisition cost.

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 5. BANK INDEBTEDNESS

The Society has an operating line available to a maximum of \$1,800,000. The interest rate is Royal Bank Prime minus 0.5%, calculated and payable monthly. The operating loan is recorded as describe in Note 9.

	2018	2017
Operating Fund:		
Operating line	\$ 1,454,250	\$ 405,085
Temporary Increase on line	410,738	-
	1,864,988	405,085
Capital Fund:		
Temporary building funding	345,795	-
	\$ 2,210,783	\$ 405,085

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade and accrued liabilities	\$ 538,852	\$ 900,970
Foster care	-	159,126
Ministry of Children, Community and Social Services	-	35,055
Salaries and benefits	272,363	253,385
Vacation entitlement	422,227	358,931
Post-employment benefits	444,400	424,400
Interfunds	72,143	-
Due to children's RESPs	160,899	111,108
	\$ 1,910,884	\$ 2,242,975

### 7. DEFERRED CONTRIBUTIONS

	2018	2017
Deferred contributions, beginning of year	\$ 497,365	\$ 571,761
Amortization of deferred contributions for capital assets	(46,487)	(109,544)
Funding received for capital asset additions	345,795	58,000
Net decrease in OCBe program	(3,376)	(4,111)
Net increase in operating fund deferred revenue	-	731
Net decrease in small programs	-	(19,472)
	\$ 793,297	\$ 497,365

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 8. POST-EMPLOYMENT BENEFITS

The Society extends post-employment health and dental benefits to all employees as well as life insurance benefits to pre-amalgamation non-union retirees only. The Society recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the Society. The most recent actuarial valuation of the post-employment benefits was as of March 31, 2016 and the next required valuation will be as of March 31, 2019.

The major actuarial assumptions employed for the valuation are as follows:

(a) Discount rate

The present value as at March 31, 2016 of the future benefits was determined using a discount rate of 3.25%.

(b) Dental costs trend rates

Dental costs were assumed to increase at 3% per annum.

(c) Extended health care trend rates

Extended health care costs assumed an initial rate of 6.25% per annum and decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum.

Post-employment benefits liability of the Society is as follows:

	2018	2017
Liability for post-retirement benefits, opening balance	\$ 424,400	\$ 404,400
Expense related to post-retirement benefits	40,000	39,500
Funding contributions	(20,000)	(19,500)
	\$ 444,400	\$ 424,400

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 8. POST-EMPLOYMENT BENEFITS (continued)

Post-employment benefit expense of the Society is as follows:

	<b>2018</b>	<b>2017</b>
Current year benefit cost	\$ 22,700	\$ 22,700
Interest on accrued benefits	14,600	14,600
Annual amortization over EARS�	2,200	2,200
Benefits payments	(19,500)	(19,500)
	\$ 20,000	\$ 20,000

### 9. LONG TERM DEBT

	<b>2018</b>	<b>2017</b>
Bankers' acceptance, repayable \$7,000 monthly plus interest, due November 2020	\$ 663,000	\$ 742,000
Unrealized loss on swap arrangement, Royal Bank at 6.06%	67,760	113,752
Short Term Loan arrangement, due July 2018, purchase of Smiths Falls building	450,000	-
	1,180,760	855,752
Less: current portion	534,000	80,000
	\$ 646,760	\$ 775,752

All loans are secured by mortgages on land and buildings with a carrying value of \$2,111,545 (2017 - \$2,196,040) and a general security interest in all personal property.



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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 9. LONG TERM DEBT (continued)

In November 2004, the Society entered into an interest rate swap arrangement with a Canadian chartered bank to eliminate interest rate cash flow risk, through the balance of the repayment term to 2024, with respect to the renewal of its mortgage. The financing is in the form of Bankers Acceptances. The debt has a twenty year amortization term and when combined with the interest rate swap arrangement has an effective interest rate of 6.06% representing an interest rate guaranteed by the swap of 5.21%, combined with a stamping fee of 0.85%. The debt is due November 2020.

The amount the Society would have to pay at March 31, 2018 to unwind the swap arrangement is \$66,760 (2017 - \$113,757). The annual unrealized gain is recorded in the operating fund in the Statement of Remeasurement Gains and Losses. For the current year, the gain is \$45,772 (2017 - gain of \$44,458).

The principal payments required in each of the next five years are as follows:

2019	\$	84,000
2020	\$	87,000
2021	\$	96,000
2022	\$	98,000
2023	\$	108,000

### 10. PENSION PLAN

The Society makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Plan specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits.

The Society has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Society records as pension expense the current service cost.

The amounts contributed to OMERS during the year ended March 31, 2018 was \$1,076,248 (2017 - \$1,045,759) for current service and is included as an expense in the operating fund, on the Statement of Operations and Changes in Fund Balances. As at March 31, 2018 the Society has no unfunded liability under the past service provisions of the agreement.

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 11. OBLIGATIONS

The Society acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The Society has no discretion over such group transactions. Resources received on behalf of the groups are reported as liabilities, not revenue and subsequent distributions on behalf of the groups are reported as decreases to this liability.

The Society's obligations consist of the following:

(a) Registered educational savings program (RESP)

	<b>2018</b>	<b>2017</b>
<b>RESP OBLIGATIONS</b> , beginning of year	\$ 111,108	\$ 177,125
MCCSS Directed amount from Child Special Allowances	93,390	105,561
Transfer to individual RESP accounts	(43,600)	(171,577)
<b>RESP OBLIGATIONS</b> , end of year	<b>\$ 160,898</b>	<b>\$ 111,109</b>

(b) Ontario child tax benefit equivalent (OCBe)

	<b>2018</b>	<b>2017</b>
<b>OCBe OBLIGATIONS</b> , beginning of year	\$ 144,885	\$ 148,996
Grants received	55,009	69,646
Disbursements	(58,385)	(73,757)
<b>OCBe OBLIGATIONS</b> , end of year	<b>\$ 141,509</b>	<b>\$ 144,885</b>

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

**11. OBLIGATIONS** (continued)

(c) Ward trust funds

	2018	2017
<b>WARD TRUST FUNDS OBLIGATIONS,</b>		
beginning of year	\$ 14,590	\$ 18,842
Grants received	-	6,424
Interest	46	150
Disbursements	(14,636)	(10,826)
<b>WARD TRUST FUNDS OBLIGATIONS, end of year</b>	<b>\$ 0</b>	<b>\$ 14,590</b>

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 12. BALANCED BUDGET FUND

In fiscal 2014, the Ministry of Children, Community and Social Services (MCCSS) announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies (CAS) in meeting the balanced budget requirement set out in Regulation 70 and to proactively manage the risks associated with a multi-year budget planning process.

The Balanced Budget Fund was developed by MCCSS on an individual CAS basis, in an amount up to each CAS's accumulated surplus that has been returned to MCYS following the implementation of the new funding model in fiscal 2014. In order to be eligible to access these funds in a future year, the Society must meet the following two conditions:

- the Society has generated a prior year surplus recovered in or after fiscal 2013-2014 by MCCSS; and
- in one of the subsequent three years, the Society requires additional funding in an amount up to its total accumulated prior year(s) surplus, to balance its budget.

The Society's balance budget fund balances are as follows:

	2017	2016	2015	2014	Total
<b>CHILD WELFARE SURPLUS</b> , beginning of year	\$ -	\$ -	\$ 324,691	\$ 323,865	\$ 648,556
Current year appropriation	-	-	(324,691)	(321,795)	(646,486)
<b>CHILD WELFARE SURPLUS</b> , end of year	\$ -	\$ -	\$ -	\$ 2,070	\$ 2,070

MCCSS has approved the appropriations from the balanced budget fund to reduce the child welfare deficits at March 31, 2017 and March 31, 2018

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

## 13. DONATION FUND

The following individual fund balances comprise the Donation Fund:

	Opening balance	Revenue	Expenses	Reallocation	Closing balance
Children in Care:					
Trust Fund	\$ 14,590	\$ 46	\$ (14,636)	\$ -	\$ -
Donation Funds:					
General Fund	346,000	1,642	(8,466)	(226,854)	112,322
Chris Tyson Fund	25,259	291	(10,029)	170,631	186,152
Vivian O'Neil Fund	-	181,696	(440)	32,008	213,264
Christmas Fund	23,586	11,840	(5,008)	-	30,418
Snowsuit Fund	37,247	9,170	(8,912)	-	37,505
Camp Fund	32,008	-	(32,008)	-	-
Education Fund	64,590	226	(12,437)	-	52,379
	543,280	204,911	(91,936)	(24,215)	632,040
<b>INTERFUND TRANSFER</b>	(24,215)	-	-	24,215	-
	\$ 519,065	\$ 204,911	\$ (91,936)	\$ -	\$ 632,040

# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 14. SUPPLEMENTARY PROGRAMS

The following individual programs expenditures are included in the operating fund:

	Gross	Recoveries	Net
Broader Public Service - Pay Equity	\$ 10,533	\$ -	\$ 10,533
Targeted Prevention	20,000	-	20,000
PFR Funding	195,400	-	195,400
Preparation for Independence	60,054	-	60,054
	\$ 285,987	\$ -	\$ 285,987

### 15. FINANCIAL RISKS

#### *Credit risk*

Credit risk is the risk of financial loss to the Society if a counterparty to a contract fails to perform according to the terms of that contract. The Society is exposed to this risk relating to its cash and accounts receivable. The carrying value of the Society's main financial assets represents the maximum credit risk to which the Society is exposed.

The Society holds its cash accounts with a federally regulated chartered bank which is insured by the Canadian Deposit Insurance Corporation. Accounts receivable are primarily due from other children's aid societies and the government. The Society measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Society's historical experience regarding collections. All accounts receivable were judged collectible at year end.

#### *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. Other price risk arises from other changes in market prices caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments in the market.

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# FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

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## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018

### 15. FINANCIAL RISKS (continued)

#### *Interest rate risk*

The Society is exposed to interest rate risk on its long term debt. It mitigates interest rate risk on its term debt through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

#### *Liquidity risk*

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares a budget and performs extensive budgeting analysis to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes from the previous year in the exposure to risks or policies, procedures and methods used to measure the risks.

### 16. CONTINGENT LIABILITY

Due to the nature of the work, from time to time, the Society receives notice of legal claims seeking compensation and damages. While some do not get filed, some do, and the Society maintains liability insurance coverage to cover potential costs.

- (a) The Society has been served with a class action suit claiming general, special and punitive, aggravated and exemplary damages as a result of an alleged negligence, breach of fiduciary duty and breach of confidence. The action seeks \$25,000,000 in general damages, \$25,000,000 in special damages and \$25,000,000 in punitive, aggravated and exemplary damages plus interest and costs.

The claims are covered by the Society's liability insurance which would not however cover special, punitive, aggravated and exemplary damages, if any were to be awarded. Management intends to defend the claims. The outcome of these legal actions is not determinable as at the date of the audit report. Management would seek support from the funder in the event special, punitive, aggravated and exemplary damages are awarded.

It is not possible to determine the amount of the damage, if any, that will be assessed against the Society for the above claim. Accordingly, no provision for the possible losses have been included in these financial statements.