

Financial Statements of

**WINDSOR-ESSEX
CHILDREN'S AID SOCIETY**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members

We have audited the accompanying financial statements of Windsor-Essex Children's Aid Society which comprise the statement of financial position as at March 31, 2018, and the statements of revenue and expenditures, 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 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.

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 6, 2018

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	Donation Fund	Other Child Welfare	2018 Total	2017 Total
Assets						
Current assets:						
Cash	\$ 65,953	\$ 47,926	\$ 14,683	\$ -	\$ 128,562	\$ 1,117,061
Investments	-	-	-	1,105,573	1,105,573	929,985
Accounts receivable	467,158	-	-	-	467,158	828,772
Amounts receivable from funding provider (note 2)	217,085	-	-	1,004	218,089	80,006
Interfund balances	-	-	-	-	-	469,304
Prepaid expenses	314,766	-	-	-	314,766	357,435
	1,064,962	47,926	14,683	1,106,577	2,234,148	3,782,563
Capital assets (note 3)	-	28,176,860	-	-	28,176,860	27,459,744
Less: accumulated amortization	-	14,396,664	-	-	14,396,664	13,158,726
	-	13,780,196	-	-	13,780,196	14,301,018
	\$ 1,064,962	\$ 13,828,122	\$ 14,683	\$ 1,106,577	\$ 16,014,344	\$ 18,083,581

	Operating Fund	Capital Fund	Donation Fund	Other Child Welfare	2018 Total	2017 Total
Liabilities, Deferred Contributions and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 5)	\$ 3,061,940	\$ -	\$ -	\$ -	\$ 3,061,940	\$ 3,233,721
Amounts payable to funding provider (note 2)	-	-	-	-	-	-
Ontario child benefit equivalent	-	-	-	637,558	637,558	654,178
Universal child care benefit for RESP's	-	-	-	1,716,514	1,716,514	1,456,398
Interfund balances	-	-	-	-	-	469,304
Current portion of capital lease obligations	-	115,834	-	-	115,834	231,807
Current portion of mortgage payable	-	214,659	-	-	214,659	258,517
Loan payable	-	-	-	-	-	-
Current portion of employee future benefits	989,842	-	-	-	989,842	772,239
	4,051,782	330,493	-	2,354,072	6,736,347	7,076,164
Long-term liabilities:						
Capital lease obligations (note 8)	-	751,906	-	-	751,906	275,574
Mortgage payable (note 9)	-	5,728,466	-	-	5,728,466	5,941,351
	-	6,480,372	-	-	6,480,372	6,216,925
Deferred contributions:						
Operating expenditures of future periods (note 6)	56,319	-	-	-	56,319	81,081
Capital assets (note 7)	-	5,479,625	-	-	5,479,625	5,678,022
	56,319	5,479,625	-	-	5,535,944	5,759,103
Employee future benefits (note 10)	25,663,845	-	-	-	25,663,845	22,147,804
Net assets:						
Invested in capital assets	-	1,537,632	-	-	1,537,632	2,044,061
Internally restricted	(28,706,984)	-	14,683	(1,247,495)	(29,939,796)	(25,160,476)
	(28,706,984)	1,537,632	14,683	(1,247,495)	(28,402,164)	(23,116,415)
Contingencies (note 16)						
	\$ 1,064,962	\$ 13,828,122	\$ 14,683	\$ 1,106,577	\$ 16,014,344	\$ 18,083,581

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Revenue and Expenditures

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	Donation Fund	Other Child Welfare	2018 Total	2017 Total
Revenue:						
Province of Ontario	\$ 58,435,279	\$ -	\$ -	\$ 42,617	\$ 58,477,896	\$ 58,944,723
Interest and other	4,021	1,364	66	-	5,451	1,435
Amortization of deferred capital contributions		238,672	-	-	238,672	233,295
Grants (note 12)	124,480	-	-	-	124,480	102,858
	58,563,780	240,036	66	42,617	58,846,499	59,282,311
Expenditures:						
Salaries and wages	29,893,940	-	-	1,855	29,895,795	29,860,154
Employee benefits	7,758,263	-	-	-	7,758,263	7,740,013
Travel	2,075,077	-	-	1,294	2,076,371	2,038,301
Employee future benefits (note 10)	4,159,301	-	-	-	4,159,301	3,585,485
Training and recruitment	103,405	-	-	-	103,405	106,600
Building occupancy	915,465	-	-	7,484	922,949	1,301,303
Purchased services - non-client	460,355	-	-	-	460,355	441,948
Boarding rate payments	12,814,655	-	-	5,318	12,819,973	12,352,098
Purchased services - client	2,020,559	-	-	810	2,021,369	1,933,817
Clients' personal needs	2,469,279	-	3,750	25,856	2,498,885	2,352,150
Health and related	845,315	-	-	-	845,315	917,751
Promotion and publicity	69,184	-	-	-	69,184	93,703
Office administration	372,094	-	-	-	372,094	363,067
Technology costs	569,679	-	-	-	569,679	639,274
Miscellaneous	395,987	-	-	-	395,987	380,868
Amortization of capital assets	-	1,237,938	-	-	1,237,938	1,009,542
Interest	4,275	143,413	-	-	147,688	117,876
	64,926,833	1,381,351	3,750	42,617	66,354,551	65,233,950
Less expenditure recoveries (note 11)	443,513				443,513	329,841
Less non-retainable revenue (note 11)	1,778,790				1,778,790	1,945,851
	62,704,530	1,381,351	3,750	42,617	64,132,248	62,958,258
Deficiency of revenue over expenditures	\$ (4,140,750)	\$ (1,141,315)	\$ (3,684)	\$ -	\$ (5,285,749)	\$ (3,675,947)

See accompanying notes to financial statements.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	Donation Fund	Other Child Welfare	2018 Total	2017 Total
Balance, beginning of year	\$ (24,012,629)	2,044,061	\$ 18,367	\$ (1,166,214)	\$ (23,116,415)	\$ (19,440,468)
Deficiency of revenue over expenditures	(4,140,750)	(1,141,315)	(3,684)	-	(5,285,749)	(3,675,947)
Interfund transfers	(553,605)	634,886	-	(81,281)	-	-
Balance, end of year	\$ (28,706,984)	\$ 1,537,632	\$ 14,683	\$ (1,247,495)	\$ (28,402,164)	\$ (23,116,415)

See accompanying notes to financial statements.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditures	\$ (5,285,749)	\$ (3,675,947)
Add items not resulting in an outlay of cash:		
Amortization of capital assets	1,237,938	1,009,542
Amortization of deferred capital contributions	(238,672)	(233,295)
Amortization of deferred operating contributions	(98,580)	(22,000)
Net change in non-cash balances related to operating activities	337,915	(156,572)
	(4,047,148)	(3,078,272)
Financing activities:		
Increase in deferred contributions - operating expenditures	73,818	16,172
Increase in deferred capital contributions	40,275	191,200
Increase (decrease) in mortgage payable	(256,743)	79,042
Increase (decrease) in capital lease obligations	360,359	173,711
Increase in employee future benefits	3,733,644	3,184,098
	3,951,353	3,644,223
Investing activities:		
Capital asset additions	(717,116)	(800,321)
Increase in investments	(175,588)	(250,421)
	(892,704)	(1,050,742)
Decrease in cash	(988,499)	(484,791)
Cash, beginning of year	1,117,061	1,601,852
Cash, end of year	\$ 128,562	\$ 1,117,061

See accompanying notes to financial statements.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements

Year ended March 31, 2018

The Windsor-Essex Children's Aid Society (the "Society") is incorporated without share capital under the laws of the Province of Ontario. The Society is dedicated to the well-being and safety of every child by advocating for, and partnering with, children, families and communities. The Society is a registered charity under the Income Tax Act and accordingly is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Society have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. In accordance with the practice common to similar organizations, the Society follows the fund basis of accounting to recognize in its accounts the responsibility to employ funds only for the purposes for which such funds were raised or contributed.

The Operating Fund reflects the day-to-day child welfare operations of the Society. The Society operates under the regulations and financial policies of the Ministry of Children and Youth of Services ("the Ministry") which provides operational funding on the basis of approved service plans.

The Capital Fund holds the capital assets of the Society.

The Donation Fund receives monies such as bequests, donations and those monies from other non-Ministry sources (exclusive of those specifically directed to another fund). These monies are to be used for programs not funded by the Ministry of Children and Youth Services and not otherwise related to the service plans.

The Other Child Welfare Fund (formally Non-Child Welfare) operates under the regulations and financial policies of the Ministry of Children and Youth Services and the Ministry of Community and Social Services, which provides operational funding for specific programming to enhance Community Programs. Current year fiscal funding was specific to Child Abuse Prevention, Transformation and Transitional Aged Youth.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Ontario Child Benefit Equivalent ("OCBE") Pooled Funding is a Provincial directive which was effective November 14, 2008. The pooled fund shall be used in two ways:

- i) To provide opportunities for all children and youth in care and in formal customary care aged 0-17 to participate in recreational, educational, cultural and social activities that are consistent with their plans of care.
- ii) To establish a savings program for youth in care aged 15-17 to assist with a successful transition to independent living. The savings program will provide all eligible youth with financial skills to help prepare them for independent living and savings will assist with the costs of their basic needs upon leaving care.

Registered Education Savings Plans for children are to be established utilizing the Universal Child Care Benefit (UCCB) funding received by the Society, through the Federal Child Tax Benefit. The Registered Education Savings Policy Directive 001-08 is effective April 15, 2008 and requires the Society to hold individual Registered Education Savings Plans for each eligible child.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Investment income is recognized as revenue when earned in each of the appropriate funds.

Capital contributions received for the purpose of funding acquisitions of capital assets are deferred and amortized to income on a basis consistent with the amortization of the related capital asset.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Capital assets:

Land, buildings, office equipment, vehicles, computer hardware/software and computer equipment under capital lease are recorded at cost. Amortization is recognized in the financial statements using the straight-line method. Buildings are amortized over a 40 year period. Building and property enhancements are amortized over a 24 year period. Office equipment and vehicles are amortized over a 5 year period. Leasehold improvements are amortized over a 5 year period. Computer hardware/software and computer equipment under capital lease are amortized over a 3 year period. No amortization is taken on assets in progress until they are placed in use.

(d) Employee future benefits:

The Society provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include drug, other medical supplementary hospital, dental, vision and travel. The actuarial determination of the accrued benefit obligations have been prepared using the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2017, and the next required valuation will be as of April 1, 2020.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 18.2 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and 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.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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 Society has no financial instruments recognized at fair value, the Society 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.

(f) Contributed services:

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

(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, capital assets and the liability for employee future benefits. Actual results could differ from those estimates.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Amounts receivable from/payable to funding provider:

As at March 31, 2018 the Society has recorded an amount receivable from the Ministry of \$218,089 (2017 - \$80,006), and an amount payable to the Ministry of \$nil (2017 - \$nil).

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 242,539	\$ -	\$ 242,539	\$ 242,539
Buildings	17,377,448	5,834,602	11,542,846	12,116,070
Leasehold improvements	1,229,527	492,865	736,662	982,569
Office equipment	3,347,819	2,535,126	812,693	340,412
Computer hardware/software	1,439,808	1,139,451	300,357	56,528
Computer equipment under capital lease	4,507,390	4,362,291	145,099	323,049
Vehicles	32,329	32,329	-	-
Construction in progress	-	-	-	239,851
	\$ 28,176,860	\$ 14,396,664	\$ 13,780,196	\$ 14,301,018

Amortization of computer hardware under capital lease of \$177,950 (2017 - \$212,171) is included in amortization of capital assets.

4. Bank facility:

The Society has an available line of credit of \$4,000,000. This indebtedness is unsecured, due on demand and bears interest at prime minus 0.5%. At March 31, 2018, \$nil (2017 - \$nil) is outstanding.

Interest expense includes interest on the line of credit of \$4,275 (2017 - \$nil).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$342,866 (2017 - \$354,448), which include amounts for payroll related matters.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred contributions:

Deferred contributions related to operating expenditures of future periods are as follows:

	2018	2017
Balance, beginning of year	\$ 81,081	\$ 86,909
Add: Funding received during the year	73,818	16,172
Less: Amount recognized as revenue in the year	(98,580)	(22,000)
Balance, end of year	\$ 56,319	\$ 81,081

7. Deferred capital contributions:

Deferred capital contributions related to capital assets consist of the following:

	2018	2017
Balance, beginning of year	\$ 5,678,022	\$ 5,720,117
Additions during the year	40,275	191,200
Amortized to revenue during the year	(238,672)	(233,295)
Balance, end of year	\$ 5,479,625	\$ 5,678,022

8. Capital lease obligations:

The Society has entered into lease agreements to finance computer hardware. The future minimum lease payments on the capital leases are as follows:

	2018	2017
2018	\$ -	\$ 245,734
2019	143,826	73,516
2020	143,826	73,516
2021	143,826	147,011
Future	568,367	-
	999,845	539,777
Less: amounts representing interest at 3.13%	(132,105)	(32,396)
Present value of capital lease payments	867,740	507,381
Less: current portion	(115,834)	(231,807)
	\$ 751,906	\$ 275,574

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Capital lease obligations (continued):

Interest expense includes interest on capital lease obligations of approximately \$12,911 (2017 - \$7,111).

9. Mortgage payable:

	2018	2017
Term loan bearing interest at a fixed rate of 1.89% for a one year period ending February 27, 2018. Contractual term to maturity date is February 27, 2038, with monthly payment of principal and interest of \$24,326	\$ 4,849,022	\$ 5,045,518
Term loan bearing a floating interest rate of prime minus 0.25% per annum for a five year period ending April 26, 2023, with monthly payment of principal and interest of \$6,580	1,094,103	1,154,350
	5,943,125	6,199,868
Less: current portion	(214,659)	(258,517)
	\$ 5,728,466	\$ 5,941,351

Interest expense includes interest on the term loans of approximately \$130,599 (2017 - \$110,765).

Principal repayments on account of the mortgage payable are payable based upon the following schedule:

2019	\$ 214,659	\$ 258,517
2020	221,592	262,297
2021	229,947	266,087
2022	238,075	270,073
2023 and thereafter	5,038,852	5,142,894
	5,943,125	\$ 6,199,868

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Employee future benefits:

The Society's actuarially determined obligation of \$42,764,902 as at March 31, 2018 based on the most recent actuarial valuation on April 1, 2017 is currently unfunded and requires contributions from the Society. As noted below, in the current year an amount of \$4,159,301 (2017 - \$3,585,485) is included in future employee benefits expense on the statement of revenue and expenditures relating to this obligation.

	2018	2017
Benefit obligation, beginning of year	\$ 35,557,800	\$ 29,229,100
Service cost	1,728,700	1,553,700
Interest cost	1,440,760	1,259,546
Actuarial loss	4,463,300	3,916,842
Benefits paid	(425,658)	(401,388)
Benefit obligation, end of year	\$ 42,764,902	\$ 35,557,800

Change in plan assets:

Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	425,658	401,388
Benefits paid	(425,658)	(401,388)
Fair value of plan assets, end of year	\$ -	\$ -

	2018	2017
Funded status:		
Funded status, plan deficit, end of year	\$ (42,764,902)	\$ (35,557,800)
Unamortized net actuarial loss	16,111,215	12,637,757
Accrued benefit liability	(26,653,687)	(22,920,043)
Less: current portion	989,842	772,239
Long-term portion	\$ (25,663,845)	\$ (22,147,804)

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Employee future benefits (continued):

The significant actuarial assumptions adopted in measuring the Society's accrued benefit obligations are as follows:

	2018	2017
Discount rate	3.6%	3.8%
Medical and dental trend rates		
Initial	7.1%	7.3%
Ultimate	4.5%	4.5%
Year of ultimate level	2031	2031
Components of net periodic benefit cost:	2018	2017
Service cost	\$ 1,728,700	\$ 1,553,700
Interest cost	1,440,760	1,259,546
Amortization of actuarial loss	989,842	772,239
Employee future benefit expense	\$ 4,159,301	\$ 3,585,485

11. Expenditure recoveries and non-retainable revenue:

	2018	2017
Special allowances	\$ 1,718,823	\$ 1,733,484
Other Society wards	32,034	131,205
Miscellaneous	3,193	22,249
Parental contributions and pensions	1,400	400
Supervision	23,340	58,513
Non-retainable revenue	1,778,790	1,945,851
Expenditure recoveries	443,513	329,841
	\$ 2,222,303	\$ 2,275,692

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Grants:

Dave Thomas Foundation:

The Dave Thomas Foundation grant was initially approved in 2007 and annual renewals have continued from that date. Each year payments are provided in four equal increments. The purpose of the grant is to assist with funding a specialized recruiter for adoption home. The Society created a position titled "Wendy's Wonderful Kids Recruiter", which was filled permanently in June 2007. Expenditures incurred up to March 31, 2018 total \$93,350 for related expenses including a portion of the adoption recruiter wages and travel expenses to attend the Adoption Resource Exchange as well as the Dave Thomas Foundation Conference.

Dave Thomas Foundation grant historical financial summary:

	Funding	Expenditures	Surplus
2007	\$ 61,500	\$ 61,500	\$ -
2008	80,000	80,000	-
2009	83,500	83,500	-
2010	83,500	83,500	-
2011	83,500	83,500	-
2012	85,000	85,000	-
2013	88,000	88,000	-
2014	90,086	90,086	-
2015	88,000	88,000	-
2016	88,000	88,000	-
2017	144,667	88,000	56,667
2018	93,350	93,350	-

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Grants (continued):

Ontario Ministry of Colleges & Universities:

In fiscal 2010 the Society joined the Crown Ward Education Champions initiative and partners with the Boards of Education, Children's Aid Societies and the Province of Ontario in the South West region of Ontario. The larger group was divided into geographical sections and Windsor-Essex, Chatham-Kent and Lambton formed a working group to develop a business plan that will meet the following objectives – Support better education, training and employment opportunities for youth with Crown Ward status; Create, implement and maintain a local community based model; Create, implement and maintain a sustainable and responsive support system for youth with Crown Ward Status. Windsor-Essex Children's Aid Society was approached by our local Ministry office to administer all funds received from the Ontario Ministry of Colleges and Universities. In fiscal 2011 the Ministry of Colleges and Universities approved the business plan to develop a collaborative data collection tool; identify gaps in Education, Knowledge and Social Development for Crown Wards; Nurture Student motivation/resilience/leadership; Transition Opportunities; employment experience programs and develop liaison and protocols among the Championship Partners. In fiscal 2017-2018 expenditures amounted to \$23,801. The remaining funding of \$7,329 was deferred.

Ontario Ministry and Colleges & Universities grant historical financial summary:

	Funding	Expenditures	Surplus
2010	\$ 10,000	\$ 9,589	\$ 411
2011	140,000	29,829	110,171
2012	64,500	23,560	40,940
2013	75,000	55,302	16,698
2014	75,000	48,278	26,722
2015	38,000	22,617	15,383
2016	75,000	13,684	61,316
2017	-	10,184	(10,184)
2018	31,130	23,801	7,329

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. Pension plan:

The employees of the Society are members of the pension plan administered by the Ontario Municipal Employees' Retirement System ("OMERS") which is a multi-employer defined-benefit plan. Contributions during 2018 amounted to \$3,081,708 (2017 - \$3,081,899). The OMERS plan is currently in a funding deficit position.

14. Financial instruments:

(a) Interest rate risk:

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Society to cash flow interest rate risk. The Society is exposed to this risk through its interest bearing debt.

In the prior years, the Society mitigated against interest rate cash flow risk with respect to its long-term debt using an interest rate swap agreement. There are no swap agreements outstanding at the end of March 31, 2018.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There have been no significant changes to the credit risk exposure from 2017.

(c) Liquidity:

In managing capital, the Society focuses on having liquid resources available for operations. The Society's objective is to have sufficient resources to continue to fund operations, repay financing and to fund capital expenditures despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of the annual budget, with actual results being compared to budget on a regular basis.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

15. Commitments:

The Society is committed to estimated minimum annual payments under operating lease agreements over the next five years and thereafter as follows:

	Annual payments
2019	\$ 164,945
2020	164,945
2021	164,945
2022	177,064
2023	177,064
Thereafter	2,468,872

16. Contingencies:

Due to the nature of its operations, the Society 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 Society.

17. Ministry reporting:

The Society reports its financial results to the Ministry of Children and Youth Services on a basis that is other than Canadian Public Sector Accounting Standards as follows:

	2018	2017
Deficiency of revenue over expenditures per financial statements	\$ (4,140,750)	\$ (2,652,786)
Less: Adjustments for non-GAAP/Grant items	3,093,789	2,652,786
Balanced Budget Fund	993,041	
Expenditures over revenue as reported to the Ministry	\$ (53,920)	\$ -

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

18. 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 fiscal year. To be eligible to access these funds, the Society must meet two conditions:

- 1) The Society must have generated a prior year surplus recovered in or after 2013-2014; and,
- 2) The Society 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.
- 3) The amount of \$993,041 was Ministry approved for utilization in 2017-2018. The accumulated Balanced Budget Fund as at March 31, 2018 is \$nil.