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

FINANCIAL STATEMENTS

MARCH 31, 2019

Johnston Beaudette
Chartered Professional Accountants

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

MARCH 31, 2019
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Family and Children's Services of Lanark, Leeds and Grenville ("the Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in fund balances, cash flows and remeasurement gains and losses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positon of the Society as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Society's operating fund expenses exceeded revenues by $1,114,539 during the year ended March 31, 2019 and, as of that date, the Society's current liabilities exceeded its current assets by $3,827,221. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report theron.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's 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 auditor's 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 Canadian generally accepted auditing standards 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Society'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 exist related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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.

We 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.

Johnston Beaudette

Cornwall, Ontario
July 16, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	Operating Fund	Capital Fund	Donation Fund	2019	2018
CURRENT ASSETS					
Cash and cash equivalents	$ -	$ -	$ 239,516	$ 239,516	$ 222,553
Restricted Cash	3,388	-	-	3,388	-
Accounts receivable (Note 4)	997,594	89,271	-	1,086,865	1,625,400
Prepaid expenses	379,879	-	-	379,879	202,229
	1,380,861	89,271	239,516	1,709,648	2,050,181
LONG TERM INVESTMENTS			409,250	409,250	500,000
CAPITAL ASSETS (Note 5)	-	3,934,877	-	3,934,877	3,866,583
	$ 1,380,861	$ 4,024,148	$ 648,766	$ 6,053,775	$ 6,416,765
CURRENT LIABILITIES					
Bank indebtedness (Note 6)	$ 1,927,803	$ -	$ -	$ 1,927,803	$ 2,210,783
Accounts payable and accrued liabilities (Note 7)	2,456,174	-	39,835	2,496,009	1,910,884
Deferred contributions (Note 8)	228,313	755,375	18,369	1,002,057	793,297
Current portion of long term debt (Note 10)	-	111,000	-	111,000	534,000
	4,612,290	866,375	58,204	5,536,869	5,448,964
LONG TERM DEBT (Note 10)	-	1,460,796	-	1,460,796	646,760
	4,612,290	2,327,171	58,204	6,997,665	6,095,724
FUND BALANCES					
Invested in capital assets	-	1,696,977	-	1,696,977	1,815,514
Internally restricted	-	-	590,562	590,562	632,040
Unrestricted	(3,364,522)	-	-	(3,364,522)	(2,249,983)
	(3,364,522)	1,696,977	590,562	(1,076,982)	197,571
Accumulated remeasurement gains	133,092	-	-	133,092	123,470
	(3,231,430)	1,696,977	590,562	(943,890)	321,041
	$ 1,380,861	$ 4,024,148	$ 648,766	$ 6,053,775	$ 6,416,765

APPROVED ON BEHALF OF THE BOARD:

Director

Director

Johnston Beaudette
Chartered Professional Accountants

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2019

	Operating Fund	Capital Fund	Donation Fund	2019	2018
REVENUES					
Ministry funding	$ 19,763,478	$ -	$ -	$ 19,763,478	$ 21,728,610
Recoveries and other income	1,398,631	-	-	1,398,631	1,086,978
Donations and grants	-	-	82,004	82,004	173,633
Investment income	319	-	4,509	4,828	8,171
Amortization of deferred contributions	-	69,725	-	69,725	46,487
	21,162,428	69,725	86,513	21,318,666	23,043,879
EXPENSES					
Salaries and benefits	13,660,254	-	-	13,660,254	13,952,272
Direct services for children	5,540,140	-	126,335	5,666,475	6,163,328
Administration	1,439,929	-	1,656	1,441,585	1,446,649
Travel and training	1,105,102	-	-	1,105,102	1,426,471
Occupancy	490,014	-		490,014	797,035
Interest on long term debt	41,528	-	-	41,528	87,804
Amortization	-	188,262	-	188,262	165,401
	22,276,967	188,262	127,991	22,593,220	24,038,960
EXCESS OF EXPENSES OVER REVENUES	(1,114,539)	(118,537)	(41,478)	(1,274,554)	(995,081)
FUND BALANCES, beginning of year	(2,249,983)	1,815,514	632,040	197,571	1,192,652
FUND BALANCES, end of year	$ (3,364,522)	$ 1,696,977	$ 590,562	$ (1,076,983)	$ 197,571

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenues	$ (1,274,554)	$ (995,081)
Amortization of capital assets	188,262	165,401
	(1,086,292)	(829,680)
Change in non-cash working capital:		
Increase (decrease) in accounts receivable	538,535	(470,891)
(Increase) decrease in prepaid expenses	(177,650)	4,447
Increase (decrease) in accounts payable and accrued liabilities	585,125	(332,091)
Increase in deferred contributions	208,760	295,932
	68,478	(1,332,282)
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease (increase) in investments	90,750	(500,000)
Purchase of capital assets	(256,556)	(795,796)
	(165,806)	(1,295,796)
CASH FLOW FROM FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(282,980)	1,805,697
(Decrease) increase in short term loan	(450,000)	450,000
Increase in mortgage	950,000	
Mortgage principal repayments	(99,342)	(79,000)
	117,678	2,176,697
NET INCREASE (DECREASE) IN CASH	20,350	(451,381)
CASH, beginning of year	222,553	673,934
CASH, end of year	$ 242,903	$ 222,553

CASH consists of:	
Cash and cash equivalent	$ 239,516
Restricted cash	3,388
	$ 242,904

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

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2019

	Operating Fund	Capital Fund	Donation Fund	2019	2018
ACCUMULATED REMEASUREMENT GAINS, beginning of year	$ 123,470	$ -	$ -	$ 123,470	$ 77,478
Unrealized gain attributable to:					
Derivative - interest rate swap	9,622	-	-	9,622	45,992
ACCUMULATED REMEASUREMENT GAINS, end of year	$ 133,092	$ -	$ -	$ 133,092	$ 123,470

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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, Youth and Family Services Act (S.O. 2017). 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 ("MCCSS").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

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

Under the *Child, Youth and Family Services Act* and Regulations thereto, the Society is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued.

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, other than in the year of acquisition when one-half of the rate is applied.

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.

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.

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. Significant items subject to estimates and assumptions include the collectability of accounts receivable, the estimated useful life of capital assets and the employee future benefit obligations. Actual results could differ from those estimates.

(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.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

At March 31, 2019 the Society had a negative working capital of $3,827,221 and the operating fund expenses exceeded revenues by $1,114,539, which when added to the operating fund excess of expenses over revenues incurred in the last 3 years, resulted in an accumulated operating fund deficit of $3,364,522. The Society requested a temporary increase of $120,000 to its line of credit near year end to meets its obligations and its balanced budget fund was fully depleted during the year ended March 31, 2018.

The Society has requested that MCCSS perform an efficiency review of its financial and service delivery operations and plans to operate within a balanced budget for the year ended March 31, 2020. Management has also established plans to reduce operating costs in the coming year with the objective of generating an operating surplus. The Society continues to be dependent on MCCSS to obtain budget advances to meet its obligations and the bank to provide temporary increases to its line of credit as needed. Therefore, the Society's ability to continue as a going concern is dependent on the continued financial support from both MCCSS and the bank.

The deficit reflects activities associated with the Society's mandate under the Child, Youth and Family Services Act (S.O. 2017). Management awaits direction from MCCSS with regard to additional funding to support these legislated activities. The accompanying financial statements have been prepared on a going-concern basis, which assumes the realization of assets, and liquidation of liabilities, in the normal course of business.

4. ACCOUNTS RECEIVABLE

	2019	2018
Due from other societies	$ 51,581	$ 82,698
Ministry of Children, Community and Social Services	11,063	621,644
Interfund	597,352	613,539
General	426,869	307,519
	$ 1,086,865	$ 1,625,400

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Chartered Professional Accountants

5. CAPITAL ASSETS

	2019			2018
	Cost	Accumulated Amortization	Net carrying amount	Net carrying amount
Land	$ 240,000	$ -	$ 240,000	$ 240,000
Buildings	4,342,546	(932,524)	3,410,022	3,500,863
Furniture and equipment	296,773	(161,277)	135,496	125,720
Computer equipment	165,955	(16,596)	149,359	-
	$ 5,045,274	(1,110,397)	$ 3,934,877	$ 3,866,583

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.

6. BANK INDEBTEDNESS

The Society has an operating line available to a maximum of $1,800,000. The interest rate is Royal Bank Prime minus 0.25%, calculated and payable monthly. The operating line was increased to $2,000,000 for the period March 8, 2019 to April 3, 2019. The operating loan is secured as describe in Note 10.

	2019	2018
Operating Fund:		
Operating line	$ 1,800,000	$ 1,433,467
Operating account	9,803	$ 22,783
Petty cash	(2,000)	$ (2,000)
Temporary Increase on line	120,000	410,738
	1,927,803	1,864,988
Capital Fund:		
Temporary building funding	-	345,795
	$ 1,927,803	$ 2,210,783

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade and accrued liabilities	$ 994,005	$ 538,852
Salaries and benefits	260,648	272,363
Vacation entitlement	392,864	422,227
Post-employment benefits	686,500	444,400
Interfunds	39,834	72,143
Due to children's RESPs	122,157	160,899
	$ 2,496,008	$ 1,910,884

8. DEFERRED CONTRIBUTIONS

	2019	2018
Deferred contributions, beginning of year	$ 793,297	$ 497,365
Amortization of deferred contributions for capital assets	(69,725)	(46,487)
Funding received for capital asset additions	256,556	345,795
Net increase (decrease) in OCBe program	21,930	(3,376)
Deferred contributions, end of year	$ 1,002,058	$ 793,297

9. 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, 2019 and the next required valuation will be as of March 31, 2021.

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

(a) Discount rate

The present value as at March 31, 2019 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 5.50% 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:

	2019	2018
Liability for post-retirement benefits, opening balance	$ 444,400	$ 424,400
Expense related to post-retirement benefits	261,600	40,000
Funding contributions	(19,500)	(20,000)
	$ 686,500	$ 444,400

9. POST-EMPLOYMENT BENEFITS (continued)

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

	2019	2018
Current year benefit cost	$ 254,500	$ 22,700
Recognition of unamortized net actuarial gains	(11,800)	(19,500)
Amortization of actuarial losses	3,100	14,600
Post-retirement benefit interest expense	15,800	2,200
	$ 261,600	$ 20,000

10. LONG TERM DEBT

	2019	2018
Bankers' acceptance, repayable $7,000 monthly plus interest, due November 2020	$ 579,000	$ 663,000
Unrealized loss on swap arrangement, Royal Bank at 6.06%	57,138	67,760
Smiths Falls Mortgage, repayable $4,741 monthly including interest, 5 years at 3.47%, due August 2023	935,658	-
Short Term Loan arrangement, due July 2018, purchase of Smiths Falls building	-	450,000
	1,571,796	1,180,760
Less: current portion	111,000	534,000
	$ 1,460,796	$ 646,760

All loans are secured by mortgages on land and buildings with a carrying value of $3,650,022 (2018 - $2,111,545) and a general security interest in all personal property.

In August 2018 the society entered into a Mortgage arrangement with RBC to assist in the financing of the Smiths Falls building and renovations. Security for this loan is based on the Smiths Falls and Perth property. The $950,000 loan is based on a 25 year mortgage at a fixed rate of 3.47% per annum. The blended monthly payments are $4,741on a five year term to expire in August 2023.

10. 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, 2019 to unwind the swap arrangement is $57,138 (2018 - $67,760). 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 $9,622 (2018 - gain of $45,772).

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

2020	$ 111,000
2021	121,755
2022	124,657
2023	135,590
2024	140,556
Thereafter	938,238
	$ 1,571,796

11. 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, 2019 was $1,064,631 (2018 - $1,076,248) 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, 2019 the Society has no unfunded liability under the past service provisions of the agreement.

12. 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)

	2019	2018
RESP OBLIGATIONS, beginning of year	$ 160,898	$ 111,108
MCCSS Directed amount from Child Special Allowances	82,880	93,390
Transfer to individual RESP accounts	(121,621)	(43,600)
RESP OBLIGATIONS, end of year	$ 122,157	$ 160,898

(b) Ontario child tax benefit equivalent (OCBe)

	2019	2018
OCBe OBLIGATIONS, beginning of year	$ 141,509	$ 144,885
Grants received	75,929	55,009
Disbursements	(54,053)	(58,385)
OCBe OBLIGATIONS, end of year	$ 163,385	$ 141,509

12. OBLIGATIONS (continued)

(c) Ward trust funds

	2019	2018
WARD TRUST FUNDS OBLIGATIONS, beginning of year	$ -	$ 14,590
Payments received	3,355	-
Interest	34	46
Disbursements	-	(14,636)
WARD TRUST FUNDS OBLIGATIONS, end of year	$ 3,388	$ -

14. DONATION FUND

The following individual fund balances comprise the Donation Fund:

	Opening balance	Revenue	Expenses	Closing balance
Donation Funds:				
General Fund	$ 112,322	$ 24,982	$ (28,122)	$ 109,182
United Way	-	51,128	(51,128)	-
Chris Tyson Fund	186,152	-	(976)	185,176
Vivian O'Neil Fund	213,264	-	(22,195)	191,069
Christmas Fund	30,418	1,084	(3,098)	28,404
Snowsuit Fund	37,505	6,667	(15,355)	28,817
Education Fund	52,379	2,652	(7,116)	47,915
	$ 632,040	$ 86,513	$ (127,990)	$ 590,562

15. 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	$ -
Education Liaison	66,900	66,900	-
Preparation for Independence	60,054	60,054	-
	$ 137,487	$ 137,487	$ -

16. 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.

16. 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. The interest rate risk on the Smith Falls building mortgage is mitigated by its fixed interest 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. However, the accumulated operating fund deficit is $3,364,522 at March 31, 2019 which puts the Society's ability to continue as a going concern in jeopardy.

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.

17. 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.

(b) The Society has been served with a suit claiming general, special and punitive damages as a result of pain and suffering, future income loss and future care costs. The action seeks $800,000 in general damages, $100,000 in special damages and $100,000 in punitive damages plus interest and costs.

(c) The Society has been named as a third party in a class action suit against the Hospital for Sick Children claiming general and punitive damages as a result of an alleged negligence and injuries. The action seeks $200,000,000 in general damages and $250,000,000 in punitive 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 in 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.