

Consolidated financial statements

**The Catholic Children's Aid Society of Toronto**

March 31, 2017



Building a better  
working world

# Independent auditors' report

To the Members of  
**The Catholic Children's Aid Society of Toronto**

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **The Catholic Children's Aid Society of Toronto**, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of operations and changes in unrestricted net assets, changes in net assets, remeasurement gains, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **The Catholic Children's Aid Society of Toronto** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Report on other legal and regulatory requirements**

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Toronto, Canada  
June 27, 2017

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# The Catholic Children's Aid Society of Toronto

## Consolidated balance sheet

[in thousands of dollars]

As at March 31

	2017	2016
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	2,738	5,358
Cash and investments held for children in care <i>[note 3]</i>	1,203	1,434
Accounts receivable	1,617	2,468
Grants receivable from the Province of Ontario <i>[note 7[b]]</i>	6,748	5,427
Prepaid expenses and other assets	1,141	324
Investments <i>[note 5]</i>	7,855	7,263
<b>Total current assets</b>	<b>21,302</b>	<b>22,274</b>
Cash and investments held for children in care <i>[note 3]</i>	2,863	2,316
Prepaid expenses and other assets	10	10
Investments <i>[note 5]</i>	1,359	1,103
Capital assets, net <i>[note 6]</i>	5,405	6,341
	<b>30,939</b>	<b>32,044</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	5,614	6,346
Deferred contributions <i>[note 7]</i>	7,130	9,203
Bank loan	—	20
Obligation under capital lease	—	168
<b>Total current liabilities</b>	<b>12,744</b>	<b>15,737</b>
Employee future benefits	2,809	2,809
In trust for children in care <i>[note 3]</i>	2,863	2,316
Other accrued liabilities	743	743
Deferred capital contributions <i>[note 9]</i>	266	241
<b>Total liabilities</b>	<b>19,425</b>	<b>21,846</b>
Commitments and contingencies <i>[notes 14 and 15]</i>		
<b>Net assets</b>		
Accumulated remeasurement gains	1,148	709
Internally restricted <i>[note 12]</i>	10,185	10,185
Unrestricted	(1,178)	(1,799)
Endowment <i>[note 13]</i>	1,359	1,103
<b>Total net assets</b>	<b>11,514</b>	<b>10,198</b>
	<b>30,939</b>	<b>32,044</b>

See accompanying notes

On behalf of the Board:

\_\_\_\_\_  
President

\_\_\_\_\_  
Treasurer

The Catholic Children's Aid Society of Toronto

**Consolidated statement of operations  
and changes in unrestricted net assets**

[in thousands of dollars]

Year ended March 31

	2017	2016
	\$	\$
<b>Revenue</b>		
Province of Ontario <i>[note 7]</i>	91,812	89,435
Government of Canada children's special allowances	2,216	1,984
Investment income and other revenue	892	2,398
Donations – general	521	1,035
Amortization of deferred capital contributions	65	63
	<b>95,506</b>	<b>94,915</b>
<b>Expenses</b>		
Boarding rate payments	<b>26,385</b>	<b>28,271</b>
<b>Child and family services</b>		
Salaries and employee benefits <i>[note 11]</i>	47,819	46,716
Financial assistance, scholarships and special programs	2,131	1,754
Travel	1,867	1,856
Personal needs	1,383	1,466
Health and related	1,131	1,013
Purchased services	603	671
	<b>54,934</b>	<b>53,476</b>
<b>Administrative and infrastructure</b>		
Salaries and employee benefits <i>[note 11]</i>	6,009	6,386
Building occupancy	2,849	2,594
Office administration and other	2,061	2,357
Amortization of capital assets	1,098	1,129
Information, technology and purchased services	1,068	1,061
Promotion and publicity	284	275
Training and recruitment	197	271
	<b>13,566</b>	<b>14,073</b>
	<b>94,885</b>	<b>95,820</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>621</b>	<b>(905)</b>
Unrestricted balance, beginning of year	<b>(1,799)</b>	<b>(894)</b>
<b>Unrestricted balance, end of year</b>	<b>(1,178)</b>	<b>(1,799)</b>

See accompanying notes

The Catholic Children's Aid Society of Toronto

**Consolidated statement of changes in net assets**

[in thousands of dollars]

Year ended March 31

	2017			2016	
	Internally restricted \$	Unrestricted \$	Endowment \$	Total \$	Total \$
	[note 12]		[note 13]		
<b>Net assets, beginning of year</b>	<b>10,185</b>	<b>(1,799)</b>	<b>1,103</b>	<b>9,489</b>	10,372
Excess (deficiency) of revenue over expenses for the year	—	<b>621</b>	—	<b>621</b>	(905)
Investment income on externally restricted endowments	—	—	<b>130</b>	<b>130</b>	—
Endowment donations	—	—	<b>176</b>	<b>176</b>	71
Interfund transfers	—	—	<b>(50)</b>	<b>(50)</b>	(49)
<b>Net assets, end of year</b>	<b>10,185</b>	<b>(1,178)</b>	<b>1,359</b>	<b>10,366</b>	9,489

See accompanying notes

**The Catholic Children's Aid Society of Toronto**

**Consolidated statement of remeasurement gains**

[in thousands of dollars]

Year ended March 31

	<b>2017</b>	<b>2016</b>
	\$	\$
Accumulated remeasurement gains, beginning of year	<b>709</b>	1,254
Realized gains attributable to a balanced pooled fund recognized to income in the year	<b>(236)</b>	(382)
Unrealized gains (losses) attributable to a balanced pooled fund	<b>675</b>	(163)
<b>Accumulated remeasurement gains, end of year</b>	<b>1,148</b>	709

*See accompanying notes*

## The Catholic Children's Aid Society of Toronto

### Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	621	(905)
Add (deduct) items not involving cash		
Amortization of capital assets	1,098	1,129
Amortization of deferred capital contributions	(65)	(63)
Non-cash transfer to deferred contributions	(50)	(49)
	<u>1,604</u>	<u>112</u>
Changes in non-cash working capital balances related to operations		
Cash and investments held for children in care	231	(251)
Accounts receivable	851	134
Grants receivable from the Province of Ontario	(1,321)	(1,417)
Prepaid expenses and other assets	(817)	1,773
Accounts payable and accrued liabilities	(732)	(948)
Deferred contributions	(2,073)	3,231
Other accrued liabilities	—	(10)
<b>Cash provided by (used in) operating activities</b>	<u>(2,257)</u>	<u>2,624</u>
<b>Investing activities</b>		
Purchase of investments, net	(279)	(533)
<b>Cash used in investing activities</b>	<u>(279)</u>	<u>(533)</u>
<b>Capital activities</b>		
Purchase of capital assets	(162)	(208)
<b>Cash used in capital activities</b>	<u>(162)</u>	<u>(208)</u>
<b>Financing activities</b>		
Repayment of obligation under capital lease	(168)	(153)
Repayment of bank loan	(20)	(24)
Deferred capital contributions received	90	—
Endowment donations received	176	71
<b>Cash provided by (used in) financing activities</b>	<u>78</u>	<u>(106)</u>
<b>Net increase (decrease) in cash during the year</b>	<b>(2,620)</b>	<b>1,777</b>
Cash, beginning of year	<u>5,358</u>	<u>3,581</u>
<b>Cash, end of year</b>	<u><b>2,738</b></u>	<u><b>5,358</b></u>

See accompanying notes



# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

### 1. Incorporation and corporate activities

The Catholic Children's Aid Society of Toronto [the "Society" or "CCAS"] was incorporated in October 1894 and operates as a corporation without share capital under the *Corporations Act* (Ontario). On behalf of the Catholic Community of Toronto, the Society is committed to provide social services that protect children and youth and strengthen family life. The Society provides these services in fulfillment of its mandate under the *Child and Family Services Act*. The Society derives substantially all of its funding from the Province of Ontario.

The Society is a registered charity under the *Income Tax Act* (Canada) and is, therefore, exempt from income taxes.

### 2. Summary of significant accounting policies

The consolidated financial statements of the Society are prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Society has chosen to use the standards for not-for-profit organizations that include sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

#### Basis of presentation

These consolidated financial statements include the assets, liabilities and activities of the Society and the assets, liabilities and activities of the Hope for Children Foundation [the "Foundation"], a controlled entity of the Society [note 4]. The Society has the continuing power to determine the strategic, operating, investing and financing policies of the Foundation without the cooperation of others.

#### Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that are made by management are used for, but not limited to, the estimated useful life of capital assets, vacation accrual, accumulated and non-vesting sick leave and contingent losses.

#### Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; or [ii] cost or amortized cost. The Society determines the classification of its financial instruments at initial recognition.

Portfolio investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the consolidated statement of operations and changes in unrestricted net assets in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the consolidated statement of remeasurement gains and are

## The Catholic Children's Aid Society of Toronto

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

reclassified to the consolidated statement of operations and changes in unrestricted net assets upon disposal or settlement.

Portfolio investments not quoted in an active market and securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs. These investments are subsequently measured at cost or amortized cost using the effective interest rate method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

A write-down in portfolio investments is recognized in the consolidated statement of operations and changes in unrestricted net assets for a portfolio investment in either category when there has been a loss in the value of the investment considered as an "other than temporary" decline. Subsequent changes to remeasurement of portfolio investments in the fair value category are reported in the consolidated statement of remeasurement gains. If the loss in value subsequently reverses, the write-down to the consolidated statement of operations and changes in unrestricted net assets is not reversed until the investment is sold.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

#### **Revenue recognition**

The Society follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is amortized.

Investment income recorded in the consolidated statement of operations and changes in unrestricted net assets consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the consolidated statement of remeasurement gains, except to the extent they relate to deferred contributions, in which case they are added to the deferred contributions balance, or to the extent they relate to investment income allocated to the endowment capital, in which case they are added to endowments through net assets.

# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

### Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 years
Furniture and equipment	4 to 10 years
Computer hardware	3 years
Vehicles	5 years
Leasehold improvements	over the term of the lease

### Pension plan

Contributions to multi-employer defined benefit pension plans are expensed on an accrual basis.

### Employee future benefits

Sick leave benefits that accumulate, but do not vest, are recorded as a liability.

### 3. Cash and investments held for children in care

The Society holds cash and investments for children in care as directed by the Ministry of Children and Youth Services. The cash and investments held for children in care comprise the following:

	March 31, 2017 \$	March 31, 2016 \$
Cash	2,438	2,708
Pooled fund – RBC Target 2025 Education Balanced Fund	1,628	1,042
	<u>4,066</u>	<u>3,750</u>

The pooled fund investment represents amounts that the Society has invested in Registered Education Savings Plans for children in care.

These amounts were received by the Society from the following government programs:

	March 31, 2017 \$	March 31, 2016 \$
Child Tax Benefit	2,863	2,316
Ontario Child Benefit Equivalent [note 7]	1,082	1,313
Other	121	121
	<u>4,066</u>	<u>3,750</u>

# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

### 4. Hope for Children Foundation

The Foundation was incorporated under the laws of Ontario as a foundation without share capital on May 28, 1980 to act as a central fund for general and designated donations to support the work of the Society. The Foundation provided financial aid in the form of grants to the Society, in addition to support for educational, enrichment and prevention programs.

Effective April 1, 2012, the operations of the Foundation were transferred to the Society. As a result, after that date, all operations and fundraising have been administered by the Society.

### 5. Investments

Investments consist of the following:

	Fair value hierarchy level	March 31, 2017 \$	March 31, 2016 \$
Short-term investments			
Balanced pooled funds	Level 2	7,855	7,263
Long-term investments			
Balanced pooled funds	Level 2	1,359	1,103
		9,214	8,366

Investments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

- Level 1 – valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data in the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value. There have been no transfers of assets between levels in 2017 or 2016.

The Catholic Children's Aid Society of Toronto

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

The asset mix of the pooled funds is as follows:

	March 31, 2017 %	March 31, 2016 %
Cash and short-term investments	5	5
Bonds		
Federal/Provincial	13	10
Corporate	19	23
	32	33
Equities		
Canadian	23	21
U.S.	20	22
Global	20	19
	63	62
	100	100

6. Capital assets

Capital assets consist of the following:

	March 31, 2017		March 31, 2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	3,553	—	3,553	—
Buildings	3,272	2,603	3,179	2,474
Furniture and equipment	1,584	1,285	1,653	1,188
Computer hardware	1,787	1,416	1,835	868
Vehicles	39	18	39	10
Leasehold improvements	2,028	1,536	2,028	1,406
	12,263	6,858	12,287	5,946
Less accumulated amortization	6,858		5,946	
<b>Net book value</b>	<b>5,405</b>		<b>6,341</b>	

The Catholic Children's Aid Society of Toronto

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

7. Deferred contributions

Deferred contributions consist of the following:

	March 31, 2017 \$	March 31, 2016 \$
Ontario Child Benefit Equivalent program [notes 3 and 7[a]]	1,082	1,313
Child Welfare Balanced Budget Fund [note 7[b]]	5,779	7,581
Other deferred contributions [note 7[c]]	269	309
	<b>7,130</b>	<b>9,203</b>

[a] The Ontario Child Benefit Equivalent program provides opportunities to children and youth in care to participate in recreational, educational, cultural and social activities and establishes a savings program for youth in care with an objective to achieve better outcomes in higher education, a higher degree of resiliency and a smoother transition to adulthood. The activity of the program is as follows:

	March 31, 2017 \$	March 31, 2016 \$
<b>Balance, beginning of year</b>	<b>1,313</b>	<b>1,183</b>
Amounts received during the year	641	665
Disbursements during the year	(872)	(535)
<b>Balance, end of year [note 3]</b>	<b>1,082</b>	<b>1,313</b>

# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

- [b] Included in deferred contributions, are amounts included in the Child Welfare Balanced Budget Fund [the "Fund"]. The Fund was developed by the Ministry of Children and Youth Services during the fiscal period ended March 31, 2014 as part of a new funding model. Eligible Children's Aid Societies may access their prior years' surplus through the Fund in order to balance their budgets. The Society has generated surpluses in the years ended March 31, 2014, 2015, and 2016. Eligible surpluses are recognized as deferred contributions. Amounts currently unfunded by the Province of Ontario corresponding to these deferred surpluses are recognized as grants receivable from the Province of Ontario. The changes in the Fund are as follows:

	March 31, 2017 \$	March 31, 2016 \$
<b>Balance, beginning of year</b>	<b>7,581</b>	3,937
Amounts deferred during the year [note 10]	—	3,644
Amounts used during the year [note 10]	<b>(946)</b>	—
Amounts expired during year	<b>(856)</b>	—
<b>Balance, end of year</b>	<b>5,779</b>	7,581

Amounts in the Fund expire as follows:

	\$
2018	2,135
2019	3,644
	<b>5,779</b>

- [c] Other deferred contributions represent unspent externally restricted funding and donations for scholarships and various programs. The changes in the other deferred contributions balance are as follows:

	March 31, 2017 \$	March 31, 2016 \$
<b>Balance, beginning of year</b>	<b>309</b>	852
Amounts received during the year	<b>385</b>	321
Amounts transferred in from the endowment fund	<b>50</b>	49
Amounts recognized in revenue during the year	<b>(475)</b>	(913)
<b>Balance, end of year</b>	<b>269</b>	309

### 8. Credit facility

As at March 31, 2017, the Society has an unsecured demand line of credit of \$8,000. This line of credit has not been drawn upon as of March 31, 2017 or March 31, 2016.

The Catholic Children's Aid Society of Toronto

**Notes to consolidated financial statements**

[in thousands of dollars]

March 31, 2017

**9. Deferred capital contributions**

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	March 31, 2017 \$	March 31, 2016 \$
<b>Balance, beginning of year</b>	241	304
Add amounts received during the year	90	—
Less amortization of deferred capital contributions	(65)	(63)
<b>Balance, end of year</b>	<b>266</b>	241

**10. Child Welfare Program funding as reported to the Ministry of Children and Youth Services ["MCYS"] and the Ministry of Community and Social Services ["MCSS"]**

Program funding as reported to the MCYS/MCSS is calculated as follows:

	March 31, 2017 \$	March 31, 2016 \$
Excess (deficiency) of revenue over expenses	621	(905)
Add amortization of capital assets capitalized for accounting, not for the MCYS/MCSS	1,098	1,129
Deduct assets capitalized for accounting, not for the MCYS/MCSS	(807)	(208)
Add deferred (used) contributions <i>[note 7(b)]</i>	(946)	3,644
(Deduct) excess of revenue over expenses related to non-MCYS/MCSS funding	(912)	(16)
<b>Child Welfare Program excess (deficiency) of revenue over expenses as reported to the MCYS/MCSS <i>[note 7(b)]</i></b>	<b>(946)</b>	3,644



The Catholic Children's Aid Society of Toronto

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

The following is a reconciliation that summarizes all revenue and expenses that are funded by the MCYS and MCSS for the year.

[a] Child Welfare Program

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	\$	\$
<b>Revenue</b>		
Child Welfare	<b>90,595</b>	92,823
Other revenue and recoveries	<b>2,663</b>	3,658
	<b>93,258</b>	96,481
<b>Expenses</b>		
Board rate payments	<b>26,161</b>	28,400
Salaries and benefits	<b>55,533</b>	52,527
Client related	<b>4,805</b>	4,566
Occupancy and administrative	<b>5,630</b>	5,549
Travel	<b>1,878</b>	1,524
Training and recruitment	<b>197</b>	271
	<b>94,204</b>	92,837
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(946)</b>	3,644

The Catholic Children’s Aid Society of Toronto

**Notes to consolidated financial statements**

[in thousands of dollars]

March 31, 2017

[b] Other programs:

Detail code	SCS – Children other 9259 \$	Children’s Community Support A508 \$	Partner Facility Renewal A710 \$	Child and Family Intervention A556 \$	Canada- Ontario Agreement A337 \$	2017 Total \$	2016 Total \$
<b>Revenue</b>	<b>63</b>	<b>13</b>	<b>271</b>	—	<b>16</b>	<b>363</b>	337
<b>Expenses</b>							
Salaries and benefits	63	—	—	—	—	63	63
Other service costs	—	13	—	—	—	13	13
Occupancy and administrative	—	—	271	3	16	290	258
	<b>63</b>	<b>13</b>	<b>271</b>	<b>3</b>	<b>16</b>	<b>366</b>	334
<b>Excess (deficiency) of revenue over expenses for the year</b>	—	—	—	(3)	—	(3)	3

# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

### 11. Pension plan

Substantially all employees of the Society are eligible to be members of the Ontario Municipal Employees' Retirement Plan [the "Plan"], which is a multi-employer defined benefit pension plan. The most recent actuarial valuation of the Plan as of December 31, 2016 indicates that the Plan has an unfunded liability of \$5,720,000. The Plan is accounted for as a defined contribution plan since the Society has insufficient information to apply defined benefit plan accounting. Employer contributions made to the Plan for the year ended March 31, 2017 amounted to \$4,476 [2016 – \$4,591] and are included in salaries and employee benefits expense in the consolidated statements of operations and changes in unrestricted net assets.

### 12. Internally restricted

Internally restricted net assets consist of amounts that are discretionary in nature and, with the approval of the Board of Directors, may be used to fund items that are either capital or non-capital in nature.

### 13. Endowment net assets

Endowment net assets represent resources that are required by the donor to be maintained by the Foundation on a permanent basis.

The Society has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. The amount currently made available for spending is up to 4% of the market value of the endowment net assets.

The preservation of capital [i.e., any excess investment income earned above the payout rate] is recorded as revenue of the Endowment Fund for donor-designated funds. For the year ended March 31, 2017, investment income of \$130 [2016 – nil] earned on investments held for the Endowment Fund resources was recorded as income of the endowment fund.

### 14. Commitments

The Society has entered into certain operating lease agreements for its premises and office equipment. The future minimum annual lease payments under these agreements are as follows:

	\$
2018	776
2019	785
2020	792
2021	802
2022	664
Thereafter	785
	<u>4,604</u>

In addition to minimum rentals, property leases generally provide for the payment of various operating costs.

## The Catholic Children's Aid Society of Toronto

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

#### 15. Contingencies

The Society has been named as a co-defendant in lawsuits, some of which are not covered by insurance. Some of these actions remain at the preliminary stages and, therefore, management and counsel are unable to provide estimates as to the outcomes of these claims. When a reasonable estimate can be determined regarding the outcome of a case, an appropriate reserve, if required, is reflected in the consolidated financial statements. Should the Society be found liable for any amount in addition to what has been determined by management as a result of such claims, such loss would be recorded in the period in which it is incurred. The Society has insurance to cover the majority of legal claims.

#### 16. Financial instruments

##### Credit risk

The Society is exposed to credit risk in connection with its accounts receivable and grants receivable from the Province of Ontario, because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

##### Liquidity risk

The Society is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Society derives a significant portion of its operating revenue from the Ontario government with no firm commitment of funding amounts in future years.

##### Currency risk

The Society is exposed to foreign currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

##### Interest rate risk

The Society is exposed to interest rate risk with respect to its investments, because the fair value will fluctuate due to changes in market interest rates.

##### Other price risk

The Society is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in pooled funds.

#### 17. Comparative figures

Certain reclassifications of 2016 amounts have been made to facilitate comparison with the current year.

