

# The Catholic Children's Aid Society of Toronto

**Consolidated financial statements**

**March 31, 2018**



**Building a better  
working world**

# Independent auditors' report

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

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, 2018, and the consolidated statements of operations, 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, 2018, 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 26, 2018

*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

	2018	2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	7,531	2,738
Cash and investments held for children in care <i>[note 3]</i>	875	1,203
Accounts receivable	799	1,617
Grants receivable from Province of Ontario <i>[note 7[b]]</i>	5,801	6,748
Prepaid expenses and other assets	754	1,141
Investments <i>[note 5]</i>	29,110	7,855
<b>Total current assets</b>	<b>44,870</b>	<b>21,302</b>
Cash and investments held for children in care <i>[note 3]</i>	3,336	2,863
Prepaid expenses and other assets	10	10
Investments <i>[note 5]</i>	1,541	1,359
Capital assets, net <i>[note 6]</i>	4,321	5,405
	<b>54,078</b>	<b>30,939</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	4,853	5,614
Deferred contributions <i>[note 7]</i>	3,802	7,130
<b>Total current liabilities</b>	<b>8,655</b>	<b>12,744</b>
Employee future benefits	2,809	2,809
In trust for children in care <i>[note 3]</i>	3,336	2,863
Other accrued liabilities	743	743
Deferred capital contributions <i>[note 9]</i>	142	266
<b>Total liabilities</b>	<b>15,685</b>	<b>19,425</b>
Commitments and contingencies <i>[notes 14 and 15]</i>		
<b>Net assets</b>		
Accumulated remeasurement gains	1,124	1,524
Internally restricted <i>[note 12]</i>	31,305	10,185
Unrestricted	4,423	(1,554)
Endowment <i>[note 13]</i>	1,541	1,359
<b>Total net assets</b>	<b>38,393</b>	<b>11,514</b>
	<b>54,078</b>	<b>30,939</b>

See accompanying notes

On behalf of the Board:

\_\_\_\_\_  
President

\_\_\_\_\_  
Treasurer

## The Catholic Children's Aid Society of Toronto

### Consolidated statement of operations

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
<b>Revenue</b>		
Province of Ontario <i>[note 7]</i>	91,633	91,812
Gain on sale of capital assets <i>[note 6]</i>	27,243	—
Government of Canada children's special allowances	2,154	2,216
Investment income and other revenue	1,140	892
Donations – general	599	521
Amortization of deferred capital contributions	124	65
	<b>122,893</b>	<b>95,506</b>
<b>Expenses</b>		
Boarding rate payments	<b>25,878</b>	26,385
Child and family services		
Salaries and employee benefits <i>[note 11]</i>	48,049	47,819
Financial assistance, scholarships and special programs	2,543	2,131
Travel	2,109	1,867
Personal needs	1,367	1,383
Purchased services	1,014	603
Health and related	900	1,131
	<b>55,982</b>	54,934
Administrative and infrastructure		
Salaries and employee benefits <i>[note 11]</i>	7,130	6,009
Building occupancy	2,587	2,849
Office administration and other	2,188	2,061
Information, technology and purchased services	1,049	1,068
Amortization of capital assets	578	1,098
Promotion and publicity	293	284
Training and recruitment	111	197
	<b>13,936</b>	13,566
	<b>95,796</b>	94,885
<b>Excess of revenue over expenses for the year</b>	<b>27,097</b>	621

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

	2018			2017	
	Internally restricted	Unrestricted	Endowment	Total	Total
	\$	\$	\$	\$	\$
	<i>[note 12]</i>		<i>[note 13]</i>		
<b>Net assets, beginning of year</b>	<b>10,185</b>	<b>(1,554)</b>	<b>1,359</b>	<b>9,990</b>	9,113
Excess of revenue over expenses for the year	—	<b>27,097</b>	—	<b>27,097</b>	621
Transfer to internally restricted	<b>21,120</b>	<b>(21,120)</b>	—	—	—
Investment income on externally restricted endowments	—	—	<b>65</b>	<b>65</b>	130
Endowment donations	—	—	<b>177</b>	<b>177</b>	176
Interfund transfers	—	—	<b>(60)</b>	<b>(60)</b>	(50)
<b>Net assets, end of year</b>	<b>31,305</b>	<b>4,423</b>	<b>1,541</b>	<b>37,269</b>	9,990

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>2018</b>	<b>2017</b>
	\$	\$
<b>Accumulated remeasurement gains, beginning of year</b>	<b>1,524</b>	1,085
Realized gains attributable to a balanced pooled fund recognized to income in the year	<b>(222)</b>	(236)
Unrealized gains (losses) attributable to a balanced pooled fund	<b>(178)</b>	675
<b>Accumulated remeasurement gains, end of year</b>	<b>1,124</b>	1,524

*See accompanying notes*

## The Catholic Children's Aid Society of Toronto

### Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	27,097	621
Add (deduct) items not involving cash		
Amortization of capital assets	578	1,098
Amortization of deferred capital contributions	(124)	(65)
Non-cash transfer to deferred contributions	(60)	(50)
Gain on sale of capital assets	(27,243)	—
	<u>248</u>	<u>1,604</u>
Changes in non-cash working capital balances related to operations		
Cash and investments held for children in care	328	231
Accounts receivable	818	851
Grants receivable from Province of Ontario	947	(1,321)
Prepaid expenses and other assets	387	(817)
Accounts payable and accrued liabilities	(761)	(732)
Deferred contributions	(3,328)	(2,073)
<b>Cash used in operating activities</b>	<u>(1,361)</u>	<u>(2,257)</u>
<b>Investing activities</b>		
Purchase of investments, net	(21,772)	(279)
<b>Cash used in investing activities</b>	<u>(21,772)</u>	<u>(279)</u>
<b>Capital activities</b>		
Proceeds from disposal of capital assets	27,774	—
Purchase of capital assets	(25)	(162)
<b>Cash provided by (used in) capital activities</b>	<u>27,749</u>	<u>(162)</u>
<b>Financing activities</b>		
Repayment of obligation under capital lease	—	(168)
Repayment of bank loan	—	(20)
Deferred capital contributions received	—	90
Endowment donations received	177	176
<b>Cash provided by financing activities</b>	<u>177</u>	<u>78</u>
<b>Net increase (decrease) in cash during the year</b>	<b>4,793</b>	<b>(2,620)</b>
Cash, beginning of year	2,738	5,358
<b>Cash, end of year</b>	<u><b>7,531</b></u>	<u><b>2,738</b></u>

See accompanying notes



# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

### 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 providing 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, the disclosure of contingent assets and liabilities 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, employee benefit accruals 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 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 reclassified to the consolidated statement of operations upon disposal or settlement.

## The Catholic Children's Aid Society of Toronto

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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 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 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 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, 2018

### 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.

### Change in accounting policy

During the year, the Society adopted the new accounting standards PS 2200, *Related Party Disclosures*, and PS 3420, *Inter-entity Transactions*. These new standards are effective for fiscal years beginning on or after April 1, 2017. PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The change in accounting policy was applied on a retroactive basis and did not have any impact on the consolidated financial statements.

### 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 ["MCYS"]. The cash and investments held for children in care comprise the following:

	2018	2017
	\$	\$
Cash	2,281	2,438
Pooled fund – RBC Target 2025 Education Balanced Fund	1,930	1,628
	<b>4,211</b>	<b>4,066</b>

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

## The Catholic Children's Aid Society of Toronto

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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

	2018 \$	2017 \$
Child Tax Benefit	3,336	2,863
Ontario Child Benefit Equivalent <i>[note 7]</i>	783	1,082
Other	92	121
	<b>4,211</b>	<b>4,066</b>

#### 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	2018 \$	2017 \$
Short-term investments			
Balanced pooled funds	Level 2	29,110	7,855
Long-term investments			
Balanced pooled funds	Level 2	1,541	1,359
		<b>30,651</b>	<b>9,214</b>

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 Catholic Children's Aid Society of Toronto

### Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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 were no transfers of assets between levels in 2018 or 2017.

The asset mix of the pooled funds is as follows:

	2018 %	2017 %
Cash and short-term investments	5	5
Bonds		
Federal/Provincial	15	13
Corporate	19	19
	<b>34</b>	<b>32</b>
Equities		
Canadian	22	23
U.S.	18	20
Global	21	20
	<b>61</b>	<b>63</b>
	<b>100</b>	<b>100</b>

#### 6. Capital assets

Capital assets consist of the following:

	2018		2017	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	3,081	—	3,553	—
Buildings	3,212	2,730	3,272	2,603
Furniture and equipment	1,339	1,073	1,584	1,285
Computer hardware	922	858	1,787	1,416
Vehicles	40	26	39	18
Leasehold improvements	1,165	751	2,028	1,536
	<b>9,759</b>	<b>5,438</b>	12,263	6,858
Less accumulated amortization	<b>5,438</b>		6,858	
<b>Net book value</b>	<b>4,321</b>		5,405	

During the year ended March 31, 2018, land and buildings were sold for proceeds of \$27,774, resulting in a gain on sale of capital assets of \$27,243.

The Catholic Children's Aid Society of Toronto

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

7. Deferred contributions

Deferred contributions consist of the following:

	2018	2017
	\$	\$
Ontario Child Benefit equivalent program <i>[notes 3 and 7[a]]</i>	783	1,082
Child Welfare Balanced Budget Fund <i>[note 7[b]]</i>	2,743	5,779
Other deferred contributions <i>[note 7[c]]</i>	276	269
	<b>3,802</b>	<b>7,130</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:

	2018	2017
	\$	\$
<b>Balance, beginning of year</b>	<b>1,082</b>	1,313
Amounts received during the year	595	641
Disbursements during the year	(894)	(872)
<b>Balance, end of year <i>[note 3]</i></b>	<b>783</b>	1,082

[b] Included in deferred contributions are amounts included in the Child Welfare Balanced Budget Fund [the "Fund"]. The Fund was developed by the MCYS during the fiscal year 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:

	2018	2017
	\$	\$
<b>Balance, beginning of year</b>	<b>5,779</b>	7,581
Amounts used during the year <i>[note 10]</i>	(3,036)	(946)
Amounts expired during the year	—	(856)
<b>Balance, end of year</b>	<b>2,743</b>	5,779

The Catholic Children's Aid Society of Toronto

**Notes to consolidated financial statements**

[in thousands of dollars]

March 31, 2018

Amounts in the Fund expire as follows:

	\$
2019	<u>2,743</u>

[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:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>269</b>	309
Amounts received during the year	<b>453</b>	385
Amounts transferred in from the endowment fund	<b>60</b>	50
Amounts recognized in revenue during the year	<b>(506)</b>	(475)
<b>Balance, end of year</b>	<b><u>276</u></b>	<u>269</u>

**8. Credit facility**

As at March 31, 2018, 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, 2018 or 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:

	2018 \$	2017 \$
<b>Balance, beginning of year</b>	<b>266</b>	241
Amounts received during the year	<b>—</b>	90
Amortization of deferred capital contributions	<b>(124)</b>	(65)
<b>Balance, end of year</b>	<b><u>142</u></b>	<u>266</u>

The Catholic Children's Aid Society of Toronto

**Notes to consolidated financial statements**

[in thousands of dollars]

March 31, 2018

**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:

	2018	2017
	\$	\$
Excess of revenue over expenses for the year	27,097	621
Add amortization of capital assets capitalized for accounting, not for the MCYS/MCSS	578	1,098
Deduct assets capitalized for accounting, not for the MCYS/MCSS	(27)	(807)
Add deferred contributions [note 7[b]]	(3,036)	(946)
Deduct excess of revenue over expenses related to non-MCYS/MCSS funding	(405)	(912)
Deduct gain on sale of capital assets	(27,243)	—
<b>Child Welfare Program deficiency of revenue over expenses as reported to the MCYS/MCSS [note 7[b]]</b>	<b>(3,036)</b>	<b>(946)</b>

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

[a] **Child Welfare Program**

	2018	2017
	\$	\$
<b>Revenue</b>		
Child Welfare	88,239	90,595
Other revenue and recoveries	2,742	2,663
	<b>90,981</b>	<b>93,258</b>
<b>Expenses</b>		
Board rate payments	25,842	26,161
Salaries and benefits	55,244	55,533
Client related	5,253	4,805
Occupancy and administrative	5,457	5,630
Travel	2,110	1,878
Training and recruitment	111	197
	<b>94,017</b>	<b>94,204</b>
<b>Deficiency of revenue over expenses for the year</b>	<b>(3,036)</b>	<b>(946)</b>



The Catholic Children's Aid Society of Toronto

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

[b] Other programs

Detail code	SCS – Children Other 9259 \$	Children's Community Support A508 \$	Partner Facility Renewal A710 \$	Adult Comm. Living – Group Living Suppts (TAY) 8847 \$	Program Support – Child Welfare (French Language) A340 \$	Education Liaison A763 \$	2018 Total \$	2017 Total \$
<b>Revenue</b>	<b>64</b>	<b>13</b>	<b>191</b>	<b>61</b>	<b>18</b>	<b>20</b>	<b>367</b>	<b>363</b>
<b>Expenses</b>								
Salaries and benefits	<b>64</b>	—	—	—	—	—	<b>64</b>	63
Other service costs	—	—	—	<b>61</b>	<b>18</b>	<b>20</b>	<b>99</b>	13
Occupancy and administrative	—	<b>13</b>	<b>191</b>	—	—	—	<b>204</b>	290
	<b>64</b>	<b>13</b>	<b>191</b>	<b>61</b>	<b>18</b>	<b>20</b>	<b>367</b>	<b>366</b>
<b>Deficiency of revenue over expenses</b>	—	—	—	—	—	—	—	(3)

# The Catholic Children's Aid Society of Toronto

## Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

### 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, 2017 indicates that the Plan has an unfunded liability of \$5,400,000. 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, 2018 amounted to \$4,661 [2017 – \$4,476] and are included in salaries and employee benefits expenses in the consolidated statement of operations.

### 12. Internally restricted

Internally restricted net assets consist of amounts that are discretionary in nature and, with approval of the Board of Directors, may be used to fund items that are either capital or non-capital in nature. During the year, \$21,120 was transferred to the internally restricted fund.

### 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, 2018, investment income of \$65 [2017 – \$130] 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:

	\$
2019	1,046
2020	1,978
2021	1,846
2022	1,708
2023	1,511
Thereafter	13,921
	<u>22,010</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, 2018

#### 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 or currency risks] in connection with its investments in pooled funds.

#### 17. Comparative figures

Certain reclassifications of 2017 amounts have been made to facilitate comparison with the current year.