The Catholic Children's Aid Society of Toronto

Consolidated financial statements

March 31, 2020

Building a better working world

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of **The Catholic Children's Aid Society of Toronto** [the "Society"], which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of operations, consolidated statement of changes in net assets, consolidated statement of remeasurement gains (losses) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at March 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 consolidated 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 consolidated 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 exists 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 consolidated financial statements or, if such disclosures 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Ernst & Young LLP

Toronto, Canada
June 23, 2020

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

	2020	2019
	$	$
Assets		
Current		
Cash	**5,139**	8,941
Cash and investments held for children in care *[note 3]*	**871**	860
Accounts receivable	**779**	52
Government remittances receivable	**3,326**	896
Grants receivable from Province of Ontario	**—**	2,766
Prepaid expenses and other assets	**1,181**	708
Investments *[note 5]*	**25,267**	30,923
Total current assets	**36,563**	45,146
Cash and investments held for children in care *[note 3]*	**4,288**	4,021
Other assets	**13**	13
Investments *[note 5]*	**1,702**	1,677
Capital assets, net *[note 6]*	**16,141**	5,474
	58,707	56,331
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**6,673**	6,564
Deferred contributions *[note 7]*	**1,055**	1,044
Total current liabilities	**7,728**	7,608
Employee future benefits	**2,809**	2,809
In trust for children in care *[note 3]*	**4,288**	4,021
Other accrued liabilities	**743**	743
Deferred capital contributions *[note 9]*	**28**	77
Total liabilities	**15,596**	15,258
Commitments and contingencies *[notes 13 and 14]*		
Net assets		
Accumulated remeasurement gains (losses)	**(556)**	1,517
Internally restricted *[note 11]*	**31,305**	31,305
Unrestricted	**10,660**	6,574
Endowment *[note 12]*	**1,702**	1,677
Total net assets	**43,111**	41,073
	58,707	56,331

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

	2020	2019
	$	$
Revenue		
Province of Ontario	**84,111**	89,669
Government of Canada children’s special allowances	**1,746**	2,247
Investment income and other revenue	**2,229**	2,023
Donations – general	**634**	541
Amortization of deferred capital contributions	**49**	65
	88,769	94,545
Expenses		
Boarding rate payments	**21,184**	24,942
Child and family services		
Salaries and employee benefits *[note 10]*	**41,216**	46,142
Financial assistance, scholarships and special programs	**2,845**	2,830
Travel	**1,465**	1,646
Personal needs	**1,044**	1,616
Purchased services	**481**	570
Health and related	**770**	655
	47,821	53,459
Administrative and infrastructure		
Salaries and employee benefits *[note 10]*	**6,116**	6,847
Building occupancy	**3,877**	2,948
	2,863	2,592
Information, technology and purchased services	**1,602**	1,066
Amortization of capital assets	**1,071**	338
Promotion and publicity	**33**	40
Training and recruitment	**116**	162
	15,678	13,993
	84,683	92,394
Excess of revenue over expenses for the year	**4,086**	2,151

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

	2020				2019
	Internally restricted	**Unrestricted**	**Endowment**	**Total**	**Total**
	$	$	$	$	$
	[note 11]		*[note 12]*		
Net assets, beginning of year	**31,305**	**6,574**	**1,677**	**39,556**	37,269
Excess of revenue over expenses for the year	**—**	**4,086**	**—**	**4,086**	2,151
Investment income on externally restricted endowments	**—**	**—**	**(37)**	**(37)**	111
Endowment donations	**—**	**—**	**135**	**135**	76
Interfund transfers	**—**	**—**	**(73)**	**(73)**	(51)
Net assets, end of year	**31,305**	**10,660**	**1,702**	**43,667**	39,556

See accompanying notes

The Catholic Children's Aid Society of Toronto

Consolidated statement of remeasurement gains (losses)

[in thousands of dollars]

Year ended March 31

	2020	2019
	$	$
Accumulated remeasurement gains, beginning of year	**1,517**	1,124
Realized gains attributable to a balanced pooled fund recognized to income in the year	**(883)**	(740)
Unrealized gains (losses) attributable to a balanced pooled fund	**(1,190)**	1,133
Accumulated remeasurement gains (losses), end of year	**(556)**	1,517

See accompanying notes

The Catholic Children's Aid Society of Toronto

Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2020	2019
	$	$
Operating activities		
Excess of revenue over expenses for the year	**4,086**	2,151
Add (deduct) items not involving cash		
Amortization of capital assets	**1,071**	338
Amortization of deferred capital contributions	**(49)**	(65)
Non-cash transfer to deferred contributions	**(73)**	(51)
Loss on disposal of capital assets	**357**	—
	5,392	2,373
Changes in non-cash working capital balances related to operations		
Cash and investments held for children in care	**(11)**	15
Accounts receivable	**(727)**	96
Government remittances receivable	**(2,430)**	(114)
Grants receivable from Province of Ontario	**2,766**	3,035
Prepaid expenses and other assets	**(473)**	43
Accounts payable and accrued liabilities	**109**	1,580
Deferred contributions	**11**	(2,758)
Cash provided by operating activities	**4,637**	4,270
Investing activities		
Purchase of investments, net	**(1,581)**	(1,445)
Redemption of investments	**5,102**	—
Cash provided by (used in) investing activities	**3,521**	(1,445)
Capital activities		
Purchase of capital assets	**(12,095)**	(1,491)
Cash used in capital activities	**(12,095)**	(1,491)
Financing activities		
Endowment donations received	**135**	76
Cash provided by financing activities	**135**	76
Net increase (decrease) in cash during the year	**(3,802)**	1,410
Cash, beginning of year	**8,941**	7,531
Cash, end of year	**5,139**	8,941

See accompanying notes

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2020

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 fulfilment 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

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.

[in thousands of dollars]

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	4–10 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 ["MCYS"]. The cash and investments held for children in care comprise the following:

	2020	**2019**
	$	$
Cash	**2,824**	2,785
Pooled fund – RBC Target 2025 Education Balanced Fund	**2,335**	2,096
	5,159	4,881

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:

	2020	**2019**
	$	$
Child Tax Benefit	**4,288**	4,021
Ontario Child Benefit Equivalent *[note 7[a]]*	**761**	759
Other	**110**	101
	5,159	4,881

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2020

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	2020 $	2019 $
Short-term investments			
Balanced pooled funds	Level 2	**25,267**	30,923
Long-term investments			
Balanced pooled funds	Level 2	**1,702**	1,677
		26,969	32,600

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].

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2020

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 2020 or 2019.

The asset mix of the pooled funds is as follows:

	2020	**2019**
	%	%
Cash and short-term investments	**5**	5
Bonds		
Federal/Provincial	**19**	14
Corporate	**17**	19
	36	33
Equities		
Canadian	**21**	23
US	**18**	19
Global	**20**	20
	59	62
	100	100

6. Capital assets

Capital assets consist of the following:

	2020		**2019**	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Land	**3,081**	**—**	3,081	—
Buildings	**3,212**	**2,987**	3,212	2,858
Furniture and equipment	**1,742**	**436**	1,499	485
Computer hardware	**1,585**	**537**	872	191
Vehicles	**40**	**40**	40	34
Leasehold improvements	**10,869**	**388**	1,064	726
	20,529	**4,388**	9,768	4,294
Less accumulated amortization	**4,388**		4,294	
Net book value	**16,141**		5,474	

During the year, capital assets with a net book value of $357 [2019 – nil] were disposed of for proceeds of nil [2019 – nil]. The loss on disposal of $357 [2019 – nil] is included in office administration and other expense.

[in thousands of dollars]

7. Deferred contributions

Deferred contributions consist of the following:

	2020 $	2019 $
Ontario Child Benefit equivalent program *[notes 3 and 7[a]]*	**761**	759
Other deferred contributions *[note 7[b]]*	**294**	285
	1,055	1,044

[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:

	2020 $	2019 $
Balance, beginning of year	**759**	783
Amounts received during the year	**437**	547
Disbursements during the year	**(435)**	(571)
Balance, end of year *[note 3]*	**761**	759

[b] 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:

	2020 $	2019 $
Balance, beginning of year	**285**	276
Amounts received during the year	**446**	427
Amounts transferred in from the endowment fund	**—**	51
Amounts recognized in revenue during the year	**(437)**	(469)
Balance, end of year	**294**	285

8. Credit facility

As at March 31, 2020, 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, 2020 or March 31, 2019.

[in thousands of dollars]

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:

	2020	**2019**
	$	$
Balance, beginning of year	**77**	142
Amortization of deferred capital contributions	**(49)**	(65)
Balance, end of year	**28**	77

10. 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, 2020 amounted to $3,929 [2019 – $4,263] and are included in salaries and employee benefits expenses in the consolidated statement of operations.

11. 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 current and prior year, no amounts were transferred to the internally restricted fund.

12. 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, 2020, an investment loss of $37 [2019 – income of $111] earned on investments held for the endowment fund resources was recorded as income of the endowment fund.

[in thousands of dollars]

13. 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:

	$
2021	1,400
2022	1,200
2023	1,000
2024	1,100
2025	1,200
Thereafter	11,300
	17,200

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

14. 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.

15. Financial instruments and risk management

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.

16. COVID-19 pandemic

Prior to year-end, the outbreak of the coronavirus disease ["COVID-19"] resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to the services provided by the Society. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Society in future periods.

17. Transfer of assets

At the Society's upcoming annual general meeting, a motion will be put forward for consideration and vote by the Society's members related to the transfer of substantially all of the investment portfolio and real estate properties to a newly created foundation, the Catholic Children's Aid Foundation ["CCAF"]. CCAF was created in 2019 and is an affiliate of the Society. If approved by the Society's members, the transfer is expected to take place in the latter half of 2020.

18. Comparative figures

Certain reclassifications of March 31, 2019 amounts have been made to facilitate comparison with the current year.