

**Algoma Family Services
Financial Statements
For the year ended March 31, 2018**

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Financial Statements
For the year ended March 31, 2018

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Tel: 705-945-0990
Fax: 705-942-7979
Toll-Free: 800-520-3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Members of Algoma Family Services

We have audited the accompanying financial statements of Algoma Family Services, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algoma Family Services as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
June 28, 2018

**Algoma Family Services
Statement of Financial Position**

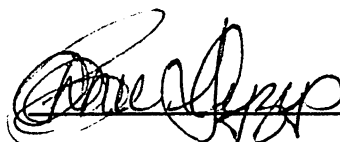
March 31	2018	2017
Assets		
Current		
Cash	\$ 1,175,677	\$ 1,435,576
Receivables	285,808	101,906
Prepaid expenses	14,308	-
	1,475,793	1,537,482
Capital assets (Note 2)	2,227,350	2,228,092
Restricted cash (Note 3)	62,831	62,831
	\$ 3,765,974	\$ 3,828,405

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 794,689	\$ 708,127
Grants repayable (Note 6)	51,139	60,457
Deferred revenue (Note 7)	77,762	188,664
Current portion of long-term debt (Note 8)	84,106	82,319
	1,007,696	1,039,567
Long-term debt (Note 8)	300,792	384,921
Deferred capital contributions (Note 9)	406,575	328,326
	1,715,063	1,752,814
Net assets		
Reserves (Note 10)	155,593	175,158
Investment in capital assets	1,435,877	1,432,526
Unrestricted net assets	396,610	405,076
Restricted	62,831	62,831
	2,050,911	2,075,591
	\$ 3,765,974	\$ 3,828,405

On behalf of the Board:

 _____ Director

 _____ Director

The accompanying notes are an integral part of these financial statements.

Algoma Family Services Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Government grants	\$ 9,265,100	\$ 8,987,471
Rental income	6,024	10,024
Donations from Algoma Family Services Foundation (Note 13)	170,949	83,136
Fees	23,700	21,709
Amortization of deferred capital contributions (Note 9)	20,531	17,280
Other	503,706	470,806
	9,990,010	9,590,426
Expenses		
Advertising and promotion	20,817	25,036
Amortization	151,564	160,578
Contracted services	486,674	351,941
Insurance	30,566	30,008
Interest on long-term debt	9,213	14,706
Memberships	31,608	22,357
Occupancy costs	362,014	403,864
Office	126,787	186,472
Professional fees	220,442	251,888
Program costs	975,500	906,612
Salaries, wages and employee benefits	7,269,269	6,985,042
Travel and training	330,236	305,911
	10,014,690	9,644,415
Deficiency of revenue over expenses	\$ (24,680)	\$ (53,989)

The accompanying notes are an integral part of these financial statements.

Algoma Family Services
Statement of Changes in Net Assets

	Reserves	Invested in Capital Assets	Unrestricted Net Assets	Restricted Assets	Total
Balance at March 31, 2016	\$ 175,158	\$ 1,465,393	\$ 426,198	\$ 62,831	\$ 2,129,580
2017					
Excess (deficiency) of revenues over expenses	-	(160,578)	106,589	-	(53,989)
Capital assets acquired	-	45,710	(45,710)	-	-
Capital assets disposed	-	(12,598)	12,598	-	-
Deferred capital grants	-	(5,472)	5,472	-	-
Deferred contribution of capital assets	-	17,280	(17,280)	-	-
Principal payments on debt	-	82,791	(82,791)	-	-
Balance at March 31, 2017	175,158	1,432,526	405,076	62,831	2,075,591
2018					
Excess (deficiency) of revenues over expenses	-	(151,564)	126,884	-	(24,680)
Capital assets acquired	-	150,822	(150,822)	-	-
Deferred capital grants	-	(98,780)	98,780	-	-
Deferred contribution of capital assets	-	20,531	(20,531)	-	-
Principal payments on debt	-	82,342	(82,342)	-	-
Transfer from reserve	(19,565)	-	19,565	-	-
Balance at March 31, 2018	\$ 155,593	\$ 1,435,877	\$ 396,610	\$ 62,831	\$ 2,050,911

The accompanying notes are an integral part of these financial statements.

Algoma Family Services
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ (24,680)	\$ (53,989)
Items not involving cash		
Amortization of capital assets	151,564	160,578
Amortization of deferred contributions	(20,531)	(17,280)
	106,353	89,309
Changes in non-cash working capital balances		
Receivables	(183,902)	(18,459)
Prepaid expenses	(14,308)	-
Accounts payable and accrued liabilities	86,562	(129,903)
Grants repayable	(9,318)	22,371
Deferred revenue	(110,902)	(16,836)
	(125,515)	(53,518)
Cash flows from investing activities		
Loss on disposal of capital assets	-	12,598
Purchase of capital assets	(150,822)	(45,710)
Deferred capital grants	98,780	5,472
	(52,042)	(27,640)
Cash flows from financing activities		
Principal payments on long-term debt	(82,342)	(82,791)
Decrease in cash and equivalents	(259,899)	(163,949)
Cash, beginning of year	1,435,576	1,599,525
Cash, end of year	\$ 1,175,677	\$ 1,435,576

The accompanying notes are an integral part of these financial statements.

Algoma Family Services

Notes to Financial Statements

March 31, 2018

1. Summary of significant accounting policies

Nature of Operations Algoma Family Services was incorporated under the Ontario Business Corporations Act on April 1, 2001. The Organization is principally involved in providing children's mental health, treatment and crisis response, adult and family counselling, employee assistance programs, family support services, substance abuse counselling and young offender's services to the District of Algoma. The Organization is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149(1)(f) of the Act.

Basis of Accounting These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Restricted assets Certain amounts, as approved by the Board of Directors, are set aside as restricted net assets for future operating expenditures.

Capital Assets Capital assets are recorded at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is provided by the declining balance basis using the following rates:

Land improvements	- 5%
Buildings	- 5%
Furniture and equipment	- 10% - 30%
Computer equipment	- 30%
Computer software	- 50%
Automotive	- 30%

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Use of Estimates The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Algoma Family Services
Notes to Financial Statements

March 31, 2018

2. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 165,726	\$ -	\$ 165,726	\$ -
Land improvements	24,151	9,326	24,151	8,778
Buildings	3,688,710	2,021,978	3,688,712	1,934,255
Furniture and equipment	604,348	432,094	604,348	412,955
Computer equipment	680,142	611,484	655,132	582,072
Computer software	212,871	89,618	87,059	81,693
Automotive	75,727	59,825	75,727	53,010
	\$ 5,451,675	\$ 3,224,325	\$ 5,300,855	\$ 3,072,763
Net book value		\$ 2,227,350		\$ 2,228,092

3. Restricted cash

The Organization holds cash which has been either internally or externally restricted for specific purposes. The funds on hand from the sale of the Residential Treatment Unit have been externally restricted by the funder. The other restricted cash has been internally restricted by the Board of the Organization.

The restricted cash balances include the following:

	2018	2017
Residual funds from sale of Clarica shares	\$ 18,106	\$ 18,106
Residual funds from sale of MacKenzie shares	681	681
Residual funds from sale of Residential Treatment Unit	44,044	44,044
	\$ 62,831	\$ 62,831

4. Line of credit

The Organization has an authorized line of credit of \$500,000 at a rate of prime plus 0.5%. At March 31, 2018, the credit is unused.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$11,351 (March 31, 2017 - \$6,590).

Algoma Family Services
Notes to Financial Statements

March 31, 2018

6. Grants repayable

	2018	2017
Ministry of Children and Youth Services	\$ 48,727	\$ 58,045
Ministry of Health and Long-term Care	<u>2,412</u>	<u>2,412</u>
	\$ 51,139	\$ 60,457

7. Deferred revenue

	2018	2017
Balance, beginning of year	\$ 188,664	\$ 205,500
Grants deferred in the year	35,919	131,802
Amounts included in revenue	<u>(146,821)</u>	<u>(148,638)</u>
Balance, end of year	\$ 77,762	\$ 188,664

8. Long-term debt

	2018	2017
Loan payable \$7,630 monthly which includes interest at 2.15% per annum, secured by specific buildings and a general security agreement, maturing July 2021	\$ 384,898	\$ 467,240
Less current portion	<u>84,106</u>	<u>82,319</u>
	\$ 300,792	\$ 384,921

Principal payments required on long term debt for the next five years are due as follows:

Year	Amount
2019	\$ 84,106
2020	85,932
2021	87,798
2022	87,798
2023	<u>39,264</u>
	\$ 384,898

Algoma Family Services Notes to Financial Statements

March 31, 2018

9. Deferred capital contributions

Government grants were received to finance the purchase of certain capital assets. Deferred grants related to capital assets represent the unamortized amount of grants received.

	2018	2017
Balance, beginning of year	\$ 328,326	\$ 340,134
Grants deferred in the year	98,780	5,472
Amortization of deferred capital contributions	(20,531)	(17,280)
	\$ 406,575	\$ 328,326

10. Reserves

	2018	2017
Energy break	\$ 28,687	\$ 28,687
EAP / Fee for service	34,784	34,784
Triple P	40,018	59,583
Supervised Access Program	9,263	9,263
Miscellaneous	42,841	42,841
	\$ 155,593	\$ 175,158

11. Commitments

The Organization is committed under operating leases of rental properties, a vehicle and computer equipment extending for various periods to 2021. Future minimum annual payments required over the next three years are as follows:

2019	\$	32,495
2020	\$	18,577
2021	\$	12,184

12. Economic dependence

The Organization has a number of agreements with the Provincial Government. As a result of the amount of funding received under these agreements, the Organization was financially dependent on the Provincial Government.

Algoma Family Services Notes to Financial Statements

March 31, 2018

13. Algoma Family Services Foundation

The Organization has an economic interest in the Algoma Family Services Foundation as the purpose of the Foundation is to receive and maintain funds to enhance or supplement the children's mental health programs and services available through the Organization.

During the year \$54,501 (2017 - \$114,883) was donated from the Foundation.

During the year the Foundation utilized office space of the Organization at no cost.

Donations from the Algoma Family Services Foundation recorded on the Statement of Operations are as follows:

	<u>2018</u>	<u>2017</u>
Funding received	\$ 54,501	\$ 114,883
Deferred revenue, beginning of year	116,451	84,704
Deferred revenue, end of year	(3)	(116,451)
	<u>\$ 170,949</u>	<u>\$ 83,136</u>

14. Financial instrument risk

The Organization's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit risk and interest rate risk.

Liquidity risk

Liquidity risk arises from the organization's management of accounts payable and other current liabilities. It is the risk that the organization will encounter difficulty in meeting its financial obligations as they fall due. The organization's policy to minimize this risk is to ensure an adequate line of credit exists for the organization.

Credit risk

Credit risk arises principally from the organization's cash and receivables. The cash is exposed to concentration risk as it is held with one institution and is in excess of the Canadian Deposit Insurance Corporation limits, however the cash is held at a reputable institution from which management believes the risk of loss to be remote. The organization is also exposed to credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

Interest rate risk arises principally from the organization's credit facility. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The credit facility has a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The organization does not use derivative financial instruments to alter the effect of this risk.