



Kunuwanimano Child and Family Services

AGM Presentation

—

December 4, 2019

Audit Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kuuwanimano Child and Family Services

Opinion

We have audited the accompanying financial statements of Kuuwanimano Child and Family Services (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kuuwanimano Child and Family Services as at March 31, 2019, and its results of operations, its changes in net assets (deficiency) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

Audit Report

- 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.



Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
October 1, 2019

Highlights

- New audit report standards effective for the March 31, 2019 year end.
- We have expressed an unqualified or “clean” audit opinion.
- Our opinion is based on materiality of \$543k and a posting threshold of \$27k.

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,893,065	\$ 636,174
Short-term deposits (note 2)	200,000	200,000
Accounts receivable (note 3)	1,447,319	993,934
Prepaid expenses and deposits	108,974	34,910
	11,649,358	1,865,018
Capital assets (note 5)	3,002,223	843,714
	\$ 14,651,581	\$ 2,708,732
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 4,773,653	\$ 1,383,314
Vacation and banked overtime	367,964	270,464
Due to Ministry of Children, Community and Social Services (note 4)	81,557	81,557
Deferred revenue (note 6)	7,376,478	288,847
	12,599,652	2,024,182
Deferred capital contributions (note 7)	2,387,802	-
	14,987,454	2,024,182
Net assets (deficiency)	(335,873)	684,550
Commitments (note 9)		
Contingent liabilities (note 13)		
	\$ 14,651,581	\$ 2,708,732

Highlights

- Cash increase as a result of a \$7M increase in deferred revenue and \$3.4M increase in accounts payable
- Significant changes in accounts receivable include:
 - Increase in ISC of \$727K
 - Increase in HST of \$441K
 - Decrease in MCCSS of \$762K
- The increase in capital assets relates to the purchase of new buildings, furniture and computers.
- Significant increase in accounts payable due to increase in trade payables as a result of new ISC programs.
- Significant changes in deferred revenue include:
 - Increase in deferred revenue for ISC projects of \$6.9M
 - Increase in OCBE of \$165K
- Deferred capital contributions represent unamortized portion of contributions used to purchase capital assets

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019			2018
	Operations	Capital	Total	Total
Revenue:				
Ministry of Children, Community and Social Services (note 10)	\$ 12,867,394	-	12,867,394	\$ 12,382,469
Indigenous Services Canada	4,187,225	-	4,187,225	-
Children's special allowance	621,400	-	621,400	591,225
Child and Family Services Agencies	255,299	-	255,299	193,135
Other income	24,611	-	24,611	112,769
Ontario Child Benefit Equivalent	20,236	-	20,236	61,736
Amortization of deferred capital contributions	-	139,501	139,501	-
	17,976,165	139,501	18,115,666	13,341,334
Expenses:				
Salaries and benefits	8,186,890	-	8,186,890	7,087,025
Boarding rate payment	3,422,292	-	3,422,292	2,925,398
Transfers to First Nations	3,108,888	-	3,108,888	-
Travel	696,304	-	696,304	696,083
Building occupancy	652,099	-	652,099	506,829
Client personal needs	583,898	-	583,898	466,381
Professional fees - Client	441,710	-	441,710	262,493
Program costs	388,282	-	388,282	164,927
Office and general	363,284	-	363,284	282,595
Technology	311,597	-	311,597	241,657
Training and recruitment	117,096	-	117,096	83,515
Professional fees - Non-client	136,088	-	136,088	147,928
Promotion and publicity	99,335	-	99,335	40,626
Membership and miscellaneous	115,617	-	115,617	28,711
Health and related	88,688	-	88,688	79,574
Financial assistance	55,227	-	55,227	24,984
Amortization of capital assets	-	368,794	368,794	248,532
	18,767,295	368,794	19,136,089	13,287,258
Excess (deficiency) of revenue over expenses	\$ (791,130)	(229,293)	(1,020,423)	\$ 54,076

Highlights

- The MCCSS programming includes the following:
 - Child Welfare: \$11.5M
 - Prevention: \$1.3M
 - Remainder relates to small programs
 - Revenue does not include \$900K capital funding (reclassified to the statement of finance position)
- ISC funding consists of the following:
 - Transfers to First Nations: \$3.1M
 - Operations: \$1M
 - Remainder relates to small programs
 - Does not include \$1.6M capital funding (reclassified to the statement of finance position)
- Deferred capital contributions consist of in-year amortization of contributions used to purchase capital assets
- Transfers to First Nations consists of transfers made to various communities through an ISC funded program.

Statement of Changes in Net Assets (Deficiency)

	March 31, 2019				
	Unrestricted			Capital	Total
	Operating	Employment related	Total Unrestricted		
Net assets (deficiency), beginning of year	\$ 111,300	(270,464)	(159,164)	843,714	684,550
Deficiency of revenue over expenses	(693,630)	(97,500)	(791,130)	(229,293)	(1,020,423)
Net assets (deficiency), end of year	\$ (582,330)	(367,964)	(950,294)	614,421	(335,873)

	March 31, 2018				
	Unrestricted			Capital	Total
	Operating	Employment related	Total Unrestricted		
Net assets (deficiency), beginning of year	\$ 111,300	(225,321)	(114,021)	744,495	630,474
Excess (deficiency) of revenue over expenses	347,751	(45,143)	302,608	(248,532)	54,076
Net change in investment in capital assets	(347,751)	-	(347,751)	347,751	-
Net assets (deficiency), end of year	\$ 111,300	(270,464)	(159,164)	843,714	684,550

Highlights

- **Employment related net assets consist of vacation owed to employees.**
- **Capital net assets consist of excess of amortization of capital assets (expense) over amortization of deferred capital contributions (revenue). No net change in investment in current year as all assets were funded.**
- **Operating net assets relate to the deficiency of programming since the inception of Kunuwanimano. All surplus dollars must be sent back to the Ministry with deficits unfunded resulting in the net asset deficiency.**

Statement of Cash Flows

	2019	2018
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses items not involving cash:	\$ (1,020,423)	\$ 54,076
Amortization of capital assets	368,794	248,532
Amortization of deferred capital contributions	(139,501)	-
	(791,130)	302,608
Change in non-cash working capital:		
Increase in accounts receivable	(453,385)	(548,747)
Decrease (increase) in prepaid expenses and deposits	(74,064)	13,066
Increase in accounts payable and accrued liabilities	3,390,339	310,223
Increase in vacation and banked overtime	97,500	45,143
Increase in deferred revenue	7,087,631	112,784
Decrease in due to Ministry of Children, Community and Social Services	-	(193,426)
	9,256,891	41,651
Cash flows from capital activities:		
Capital asset additions	(2,527,303)	(347,751)
Deferred capital contributions	2,527,303	-
	-	(347,751)
Increase (decrease) in cash	9,256,891	(306,100)
Cash and cash equivalents, beginning of year	636,174	942,274
Cash and cash equivalents, end of year	\$ 9,893,065	\$ 636,174

Highlights

- **Sources of cash include the following:**
 - **Increase in deferred revenue (mainly due to ISC funding received in advance)**
 - **Increase in accounts payable (timing of payments to suppliers)**
- **Significant uses of cash:**
 - **Overall deficiency in operations noted in FY19**
 - **Increase in accounts receivable as of the year end date due to timing**
- **Capital results in \$nil cash effect as all capital additions were funded.**

Schedule - ISC Funded Programs

Year ended March 31, 2019

	Operations	Capital	Grants	Jordan's Principle	2019
Revenue:					
Indigenous Services Canada	\$ 1,060,917	1,655,522	3,108,888	17,420	5,842,747
Amortization of deferred capital contributions	-	7,822	-	-	7,822
	1,060,917	1,663,344	3,108,888	17,420	5,850,569
Expenses:					
Transfers to First Nations	-	-	3,108,888	-	3,108,888
Salaries and wages	860,642	-	-	-	860,642
Benefits	28,055	-	-	-	28,055
Travel	21,539	-	-	4,597	26,136
Program expense	-	-	-	4,213	4,213
Professional services - client	135,559	-	-	7,273	142,832
Client personal needs	13,502	-	-	1,337	14,839
Financial assistance	169	-	-	-	169
Office administration	1,451	-	-	-	1,451
Amortization of capital assets	-	7,822	-	-	7,822
	1,060,917	7,822	3,108,888	17,420	4,195,047
Excess of revenue over expenses before undemoted items					
	-	1,655,522	-	-	1,655,522
Amortization of capital assets	-	7,822	-	-	7,822
Transfer for capital purchases	-	(1,655,522)	-	-	(1,655,522)
Amortization of deferred capital contributions	-	(7,822)	-	-	(7,822)
Excess of revenue over expenses	\$ -	-	-	-	-

Schedule - MCCSS Funded Programs

	Child Welfare	Prevention	Re-Integration	Ontario Child Benefit Equivalent	Education Liaison	Mental Health	Housing Support Worker	2019
Revenue:								
Ministry of Children, Community and Social Services	\$ 12,289,278	1,321,468	70,000	-	16,400	7,523	34,505	13,739,174
Children's special allowance	621,400	-	-	-	-	-	-	621,400
Amortization of deferred capital contributions	130,165	1,514	-	-	-	-	-	131,679
Child and Family Services Agencies	255,299	-	-	-	-	-	-	255,299
Ontario Child Benefit Equivalent	-	-	-	20,236	-	-	-	20,236
Other income	24,611	-	-	-	-	-	-	24,611
	13,320,753	1,322,982	70,000	20,236	16,400	7,523	34,505	14,792,399
Expenses:								
Salaries and wages	5,055,531	501,171	32,007	-	11,484	-	21,837	5,622,030
Benefits	1,514,891	145,907	7,816	-	3,516	-	4,033	1,676,163
Travel	627,859	37,247	5,062	-	-	-	-	670,168
Training and recruitment	109,182	391	-	-	-	7,523	-	117,096
Program expense	150,115	215,851	17,088	-	-	-	1,015	384,069
Professional services - client	297,878	1,000	-	-	-	-	-	298,878
Client personal needs	542,274	6,426	123	20,236	-	-	-	569,059
Financial assistance	17,902	37,156	-	-	-	-	-	55,058
Health and related	88,038	650	-	-	-	-	-	88,688
Building occupancy	534,310	109,710	3,379	-	1,100	-	3,600	652,099
Professional services - non client	133,057	3,031	-	-	-	-	-	136,088
Promotion and publicity	75,581	23,754	-	-	-	-	-	99,335
Office administration	316,281	45,132	-	-	-	-	420	361,833
Membership and other fees	90,638	24,979	-	-	-	-	-	115,617
Society Foster, kinship and other care	2,081,283	-	-	-	-	-	-	2,081,283
Purchased foster and group care	1,341,009	-	-	-	-	-	-	1,341,009
Technology	284,812	26,785	-	-	-	-	-	311,597
Amortization of capital assets	318,361	39,866	-	-	2,745	-	-	360,972
Administration chargebacks	(150,006)	138,756	7,350	-	300	-	3,600	-
	13,428,996	1,357,812	72,825	20,236	19,145	7,523	34,505	14,941,042
Excess (deficiency) of revenue over expenses before undemoted items								
	(108,243)	(34,830)	(2,825)	-	(2,745)	-	-	(148,643)
Amortization of capital assets								
	318,361	39,866	-	-	2,745	-	-	360,972
Transfer for capital purchases								
	(864,212)	(7,569)	-	-	-	-	-	(871,781)
Amortization of deferred capital contributions								
	(130,165)	(1,514)	-	-	-	-	-	(131,679)
Change in vacation entitlement and banked overtime								
	80,804	4,047	2,825	-	-	-	-	87,676
Deficiency of revenue over expenses	\$ (703,455)	-	-	-	-	-	-	(703,455)

Schedule - Child Welfare (MCCSS)

	Non-Residential Services	Residential Services	Permanency Services	Legal Services	Travel	Boarding Rates	Infrastructure & Admin Support Services	Technology	2019
Revenue:									
Ministry of Children, Community and Social Services	\$ 2,155,366	2,679,300	-	429,313	236,936	2,737,138	3,329,989	721,236	12,289,278
Children's special allowance	-	621,400	-	-	-	-	-	-	621,400
Amortization of deferred capital contributions	-	-	-	-	-	-	42,677	87,488	130,165
Child and Family Services Agencies	-	255,299	-	-	-	-	-	-	255,299
Other income	7,562	-	-	-	-	-	17,049	-	24,611
	2,162,928	3,555,999	-	429,313	236,936	2,737,138	3,389,715	808,724	13,320,753
Expenses:									
Salaries and wages	1,670,998	1,945,714	-	189,712	-	-	1,113,109	135,998	5,055,531
Benefits	518,514	620,721	-	59,051	-	-	280,503	36,102	1,514,891
Travel	-	-	-	-	299,411	-	328,448	-	627,859
Training and recruitment	-	15,160	-	2,487	-	-	91,535	-	109,182
Program expense	19,164	23,442	-	-	-	-	107,509	-	150,115
Professional services - client	4,073	4,379	-	289,426	-	-	-	-	297,878
Client personal needs	72,694	468,607	-	-	-	973	-	-	542,274
Financial assistance	17,902	-	-	-	-	-	-	-	17,902
Health and related	439	87,599	-	-	-	-	-	-	88,038
Building occupancy	-	-	-	-	-	-	534,310	-	534,310
Professional services - non client	-	-	-	-	-	-	133,057	-	133,057
Promotion and publicity	-	23,337	-	-	-	-	52,244	-	75,581
Office administration	-	-	-	-	-	-	316,281	-	316,281
Membership and other fees	-	100	-	-	-	-	90,538	-	90,638
Society Foster, kinship and other care	-	-	-	-	-	2,081,283	-	-	2,081,283
Purchased foster and group care	-	-	-	-	-	1,341,009	-	-	1,341,009
Technology	-	-	-	-	-	-	-	284,812	284,812
Amortization of capital assets	-	-	-	-	-	-	230,873	87,488	318,361
Administration chargebacks	-	-	-	-	-	-	(150,006)	-	(150,006)
	2,303,784	3,189,059	-	540,676	299,411	3,423,265	3,128,401	544,400	13,428,996
Excess (deficiency) of revenue over expenses before undermotored items									
	(140,856)	366,940	-	(111,363)	(62,475)	(686,127)	261,314	264,324	(108,243)
Amortization of capital assets									
	-	-	-	-	-	-	230,873	87,488	318,361
Transfer for capital purchases									
	-	-	-	-	-	-	(426,774)	(437,438)	(864,212)
Amortization of deferred capital contributions									
	-	-	-	-	-	-	(42,677)	(87,488)	(130,165)
Change in vacation entitlement and banked overtime									
	4,159	35,879	-	6,073	-	-	28,940	5,753	80,804
Excess (deficiency) of revenue over expenses	(136,697)	402,819	-	(105,290)	(62,475)	(686,127)	51,676	(167,361)	(703,455)



Thank you



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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