

FINANCIAL STATEMENTS
For
DURHAM CHILDREN'S AID SOCIETY
For year ended
MARCH 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the directors of

DURHAM CHILDREN'S AID SOCIETY

Opinion

We have audited the financial statements of Durham Children's Aid Society (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019 and the results of its operations and its 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 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 financial statements in Canada, and we have fulfilled our 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for notforprofit 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.

In preparing the 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.

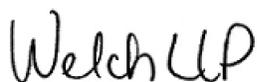
Auditor's Responsibilities for the Audit of the Financial Statement

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 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 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 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 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 financial statements, including the disclosures, and whether the 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.



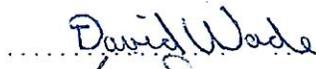
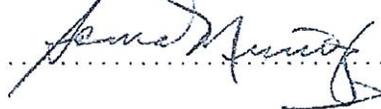
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 13, 2019.

DURHAM CHILDREN'S AID SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,273,236	\$ 1,074,813
Accounts receivable (note 9)	553,697	263,872
HST receivable	737,364	472,925
Due from Province of Ontario (note 7)	-	2,708,318
Accrued interest	11,977	5,091
Prepaid expenses	<u>735,527</u>	<u>243,338</u>
	5,311,801	4,768,357
CAPITAL ASSETS (note 4)	9,085,600	9,785,013
RESTRICTED CASH	<u>2,952,114</u>	<u>2,638,298</u>
	<u>\$ 17,349,515</u>	<u>\$ 17,191,668</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,675,045	\$ 5,373,482
Mortgage payable (note 5)	<u>894,000</u>	<u>852,000</u>
	5,569,045	6,225,482
MORTGAGE PAYABLE (note 5)	<u>5,886,000</u>	<u>6,780,000</u>
	<u>11,455,045</u>	<u>13,005,482</u>
FUND BALANCES		
General fund	636,756	(618,098)
Capital fund (note 6)	2,305,600	2,165,986
Internally restricted fund	189,548	294,480
Balanced budget fund (note 7)	-	-
Externally restricted fund (note 8)	<u>2,762,566</u>	<u>2,343,818</u>
	5,894,470	4,186,186
	<u>\$ 17,349,515</u>	<u>\$ 17,191,668</u>

Approved by the Board:

 Director
 Director

(See accompanying notes)

DURHAM CHILDREN'S AID SOCIETY

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2019

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Internally Restricted Funds</u>	<u>Externally Restricted Funds</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue						
Provincial funding (note 3)	\$ 62,715,005	\$ -	\$ -	\$ -	\$ 62,715,005	\$ 62,968,616
Expenditure recoveries	2,682,657	-	-	-	2,682,657	1,898,161
Child tax benefits	1,534,613	-	-	-	1,534,613	1,585,227
Other income	<u>983,690</u>	<u>-</u>	<u>21,791</u>	<u>807,099</u>	<u>1,812,580</u>	<u>1,220,994</u>
	<u>67,915,965</u>	<u>-</u>	<u>21,791</u>	<u>807,099</u>	<u>68,744,855</u>	<u>67,672,998</u>
Expenses						
Salaries and wages	27,901,105	-	-	-	27,901,105	28,689,923
Boarding rate payments	19,936,599	-	-	-	19,936,599	22,419,987
Employee benefits	6,939,597	-	-	-	6,939,597	6,978,408
Client's personal needs	1,767,338	-	126,723	388,351	2,282,412	2,046,177
Travel	1,579,742	-	-	-	1,579,742	1,596,085
Purchased services client	1,715,697	-	-	-	1,715,697	1,228,412
Health and related services	694,054	-	-	-	694,054	1,063,021
Building occupancy	955,415	-	-	-	955,415	822,544
Amortization	-	699,413	-	-	699,413	815,495
Financial assistance	2,001,006	-	-	-	2,001,006	2,018,646
Office expenses	560,685	-	-	-	560,685	633,134
Interest on mortgage payable (note 5)	-	374,924	-	-	374,924	416,926
Purchased services non-client	142,991	-	-	-	142,991	369,118
Training, education and conference	85,291	-	-	-	85,291	60,115
Promotion and publicity	40,465	-	-	-	40,465	49,941
Administration and technology	<u>1,127,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127,175</u>	<u>896,571</u>
	<u>65,447,160</u>	<u>1,074,337</u>	<u>126,723</u>	<u>388,351</u>	<u>67,036,571</u>	<u>70,104,503</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>\$ 2,468,805</u>	<u>\$ (1,074,337)</u>	<u>\$ (104,932)</u>	<u>\$ 418,748</u>	<u>\$ 1,708,284</u>	<u>\$ (2,431,505)</u>

(See accompanying notes)

DURHAM CHILDREN'S AID SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019

	2019					
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Internally Restricted Fund</u>	<u>Balanced Budget Fund</u>	<u>Externally Restricted Funds</u>	<u>Total</u>
Opening balance	\$ (618,098)	\$ 2,165,986	\$ 294,480	\$ -	\$ 2,343,818	\$ 4,186,186
Excess of revenue over expenses (expenses over revenue)	2,468,805	(1,074,337)	(104,932)	-	418,748	1,708,284
Transfer from Balanced budget fund (note 7)	-		-	-	-	-
Transfer to Capital fund	<u>(1,213,951)</u>	<u>1,213,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 636,756</u>	<u>\$ 2,305,600</u>	<u>\$ 189,548</u>	<u>\$ -</u>	<u>\$ 2,762,566</u>	<u>\$ 5,894,470</u>

	2018					
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Internally Restricted Fund</u>	<u>Balanced Budget Fund</u>	<u>Externally Restricted Funds</u>	<u>Total</u>
Opening balance	\$ 251,840	\$ 2,163,374	\$ 257,732	\$ 2,010,368	\$ 1,934,377	\$ 6,617,691
Excess of revenue over expenses (expenses over revenue)	(1,645,273)	(1,232,421)	36,748	-	409,441	(2,431,505)
Transfer from Balanced budget fund (note 7)	2,010,368		-	(2,010,368)	-	-
Transfer to Capital fund	<u>(1,235,033)</u>	<u>1,235,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ (618,098)</u>	<u>\$ 2,165,986</u>	<u>\$ 294,480</u>	<u>\$ -</u>	<u>\$ 2,343,818</u>	<u>\$ 4,186,186</u>

(See accompanying notes)

DURHAM CHILDREN'S AID SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 1,708,284	\$ (2,431,505)
Item not involving cash:		
Amortization	<u>699,413</u>	<u>815,495</u>
	2,407,697	(1,616,010)
Changes in non-cash working capital components:		
Accounts receivable	(289,825)	96,713
HST receivable	(264,439)	106,754
Accrued interest	(6,886)	(2,192)
Prepaid expenses	(492,189)	251,088
Accounts payable and accrued liabilities	<u>(698,437)</u>	<u>723,471</u>
	<u>655,921</u>	<u>(440,176)</u>
 CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Decrease in due from the Province of Ontario	2,708,318	2,326,532
Repayment of mortgage payable	<u>(852,000)</u>	<u>(814,000)</u>
	<u>1,856,318</u>	<u>1,512,532</u>
 INCREASE IN CASH	 2,512,239	 1,072,356
 CASH, BEGINNING OF YEAR	 <u>3,713,111</u>	 <u>2,640,755</u>
 CASH, END OF YEAR	 <u>\$ 6,225,350</u>	 <u>\$ 3,713,111</u>
<hr/>		
Cash is represented by:		
Cash	\$ 3,273,236	\$ 1,074,813
Restricted cash	<u>2,952,114</u>	<u>2,638,298</u>
	<u>\$ 6,225,350</u>	<u>\$ 3,713,111</u>

(See accompanying notes)

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

1. NATURE OF OPERATIONS

The Durham Children's Aid Society (the "Society") is responsible for the care and protection of children in Durham Region as set out under the provisions of the Child and Family Services Act, Ontario. The Society is committed to protecting children and youth from abuse and neglect, strengthening parents and families to meet the needs of their children and providing safe, stable placements for children at risk.

The Society is classified as a registered charity under the Income Tax Act and, as such, is not subject to income tax provided certain disbursement requirements are met. In the opinion of management, these requirements have been met.

Our Vision: Building hope and opportunities with children, youth and families.

Our Mission: Working with families and communities for the safety, stability and well being of children and youth.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

The Society follows the restricted fund method of accounting for contributions. For financial reporting purposes, the Society uses five funds, as follows:

- (1) General Fund: Reports the revenue and expenses related to program delivery and operating activities.
- (2) Capital Fund: Reports the assets and liabilities, revenue and expenses related to the Society's property and equipment.
- (3) Internally Restricted Fund: Reports the assets and liabilities, revenues and expenses of in-trust funds held by the Society on behalf of specific children in care. Funds received are generally Canada Pension Plan benefits and are usually accessible when the child reaches the age of eighteen.
- (4) Balanced Budget Fund: Reports the accumulated surpluses as described in Note 7.
- (5) Externally Restricted Funds: Reports restricted resources that are used pursuant to rules and regulations established for these types of funds by government authorities.

Revenue recognition

Restricted contributions and grants are recognized as revenue when received in the appropriate restricted fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Income from government sources approved for the financing of programs is recorded on an accrual basis in which the related expense is recognized. Expenditure recoveries are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

2. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Restricted Cash

Restricted cash consists of internally restricted funds and externally restricted funds.

Financial instruments

The Society initially measures its financial instruments at fair value. All of its financial assets and liabilities are subsequently measured at amortized cost including cash, accounts receivable, accrued interest, accounts payable and accrued liabilities and mortgage payable.

Capital assets

Capital assets are recorded at cost and are amortized using the straight line method over their estimated useful life at the following rates:

Computer equipment	- 3 years
Building	- 25 years

Registered Education Savings Plan ("RESP")

In July 2006, the Society began receiving the Universal Child Care Benefit ("UCCB") for each child in care under the age of six. As per a directive from the Ministry of Child and Youth Services ("MCYS"), these funds are to be used to establish RESP accounts for all Crown Wards and Society Wards under the age of six to which the Society has received funds for. These accounts will be managed by the Society until the youth reaches the age of twenty-five or enrolls in a qualified post-secondary education or training program.

As of July 1, 2016, the UCCB program was discontinued by the federal government and combined with the Canada Child Tax Benefit ("CCTB") to form a newly created Canada Child Benefit ("CCB"). Under a new directive from the MCYS, a portion of the CCB equivalent to the June 2016 UCCB is to be used for the RESP program. These accounts are included in the externally restricted funds as detailed in Note 8.

Hedge accounting

In 2007, the Society entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long term debt. The policy of the Society is not to enter into interest rate swap agreements for trading or speculative purposes.

The interest rate swap held by the Society is eligible for hedge accounting. To be eligible for hedge accounting, an instrument must meet certain criteria with respect to identification, designation and documentation. In addition, the critical terms of the derivative financial instrument must match the specific terms and conditions of the hedged item. The fair value of derivative instrument eligible and qualifying for hedge accounting is not recognized on the statement of financial position. Gains and losses on such instruments are recognized in income in the same period as those of the hedged item.

Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and transaction costs. Net amounts receivable or payable on the interest rate swap are recorded using the accrual basis of accounting and are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

2. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Pension plan

The Society is a member of a multi-employer defined benefit pension plan; consequently, it is accounted for as a defined contribution plan. An expense is recorded in the period in which contributions are made.

Contributed services

These financial statements do not reflect the substantial value of services contributed by volunteers, foster parents and other interested parties because of the difficulty of determining their fair value.

Use of estimates

The preparation of the Society's 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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts where significant estimates are used involve the determination of useful lives of capital assets and the valuation of accrued liabilities. Actual results could differ from the estimates.

3. **ECONOMIC DEPENDENCE**

The continuation of the Society is substantially dependent upon the ongoing financial support from the Ministry of Children and Youth Services of Ontario. In 2018, approximately 93% (2018 - 91%) of all funding was contributed by the Ministry of Children and Youth Services of Ontario.

4. **CAPITAL ASSETS**

Capital assets is comprised of the following:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 3,043,980	\$ 3,017,536	\$ 3,043,979	\$ 2,922,533
Building:				
Taunton Head Office	<u>15,110,286</u>	<u>6,916,397</u>	<u>15,110,286</u>	<u>6,311,986</u>
	18,154,266	9,933,933	18,154,265	9,234,519
Land:				
Grenfell Group Homes	7,500	-	7,500	-
Taunton Head Office	<u>857,767</u>	<u>-</u>	<u>857,767</u>	<u>-</u>
	19,019,533	<u>\$ 9,933,933</u>	19,019,532	<u>\$ 9,234,519</u>
Less: accumulated amortization	<u>(9,933,933)</u>		<u>(9,234,519)</u>	
	<u>\$ 9,085,600</u>		<u>\$ 9,785,013</u>	

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

5. MORTGAGE PAYABLE

In 2007, the Society financed \$17,000,000 of the cost of its building construction with a credit facility from the Royal Bank of Canada. The facility is repayable in blended monthly installments, maturing on November 30, 2025 and bears a floating interest rate based on variable bankers' acceptances. The Society entered into a swap agreement, whereby the full value of the floating rate debt is swapped for a fixed rate debt with an interest rate including transaction fees of 5.175%.

The facility is secured by a first mortgage on the property and a general security agreement covering the assets of the Society.

Principal payments due in the next five years and beyond, are as follows:

2020	\$ 894,000
2021	936,000
2022	980,000
2023	1,028,000
2024	1,076,000
2025 and beyond	<u>1,866,000</u>
	<u>\$ 6,780,000</u>

The annual mortgage carrying cost, which is made up of the principle and interest payments, is funded through the provincial funding received through the General Fund as reflected in the annual transfer from the General Fund and the Capital Fund.

6. CAPITAL FUND

The Capital Fund balance is comprised of the following:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 9,085,600	\$ 9,785,013
Add: Prepaid expenses - capital fund	-	12,973
Less: Mortgage payable	<u>(6,780,000)</u>	<u>(7,632,000)</u>
	<u>\$ 2,305,600</u>	<u>\$ 2,165,986</u>

7. BALANCED BUDGET FUND AND AMOUNTS DUE FROM PROVINCE OF ONTARIO

In 2014, Ministry of Children and Youth Services of Ontario announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the newly announced balanced budget fund requirements that were outlined in the Child and Family Services Act, Regulation 70.

The Balanced Budget Fund has been developed on an individual basis for each Children's Aid Society and will reflect the accumulated surpluses. However, certain conditions will need to be met to be eligible to access these funds. These conditions are as follows:

- a) The Society must have generated a prior year surplus recovered in or after 2013-2014;
- b) In a subsequent year, the Society must require additional funding in a future year to balance its budget; and
- c) Each Children's Aid Society will be able to carry over and accumulate eligible contributions up to a maximum of three consecutive years.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

7. BALANCED BUDGET FUND AND AMOUNTS DUE FROM PROVINCE OF ONTARIO - Cont'd.

Due from Province of Ontario is comprised of the following:

	<u>2019</u>	<u>2018</u>
Due from Province of Ontario, current	\$ -	\$ <u>2,708,318</u>
Balanced Budget Fund balance, prior year	-	2,010,368
Less: Deficit subtracted from Balanced Budget Fund	<u>-</u>	<u>(2,010,368)</u>
Due from Province of Ontario	\$ -	\$ <u>2,708,318</u>

8. EXTERNALLY RESTRICTED FUNDS

As per Ministry directive, the Society holds and disburses two types of revenue in a specific manner. The RESP fund is to be used to set-up Crown Wards with individual RESP's for later use by the Crown Wards towards education programs.

The Ontario Child Benefit Equivalency ("OCBe") fund is to be used for child and youth to gain access to recreational, educational, cultural and social opportunities that support their achievement of higher educational outcomes, enhanced resiliency, social skills and relationship development as well as a smoother transition to adulthood.

The CWECT fund (York-Durham Crown Ward Education Championship Team) is the result of an initiative of the Government of Ontario's Ministries of Training, Colleges and Universities, Children and Youth Services and Education to improve the educational outcomes of Crown Wards. The primary focus of the CWECT is to support better educational outcomes, training and employment opportunities for all Crown Wards through the creation of a community-based model with strong partnerships between the Children's Aid Societies, district school boards and post-secondary institutions.

The Externally Restricted Fund balance is comprised of the following:

	<u>2019</u>	<u>2018</u>
RESP Fund	\$ 1,826,436	\$ 1,530,216
OCBe Fund	897,669	773,116
CWECT Fund	<u>38,461</u>	<u>40,486</u>
	\$ <u>2,762,566</u>	\$ <u>2,343,818</u>

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Society has an economic interest in the Durham Children's Aid Foundation (the "Foundation") given that the Foundation solicits funds in the name of the Society, and 80% of the funds solicited are intended by the contributor or are otherwise required to be transferred to the Society. While the Society and Foundation currently have no common board members, the Society has the right to appoint three of the Foundation's board of directors.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

9. RELATED PARTY TRANSACTIONS AND BALANCES - Cont'd.

The Foundation receives on-going support from the Society at no cost, which includes the provision of office space, payroll services, and back-office support. Transactions between the related parties are for reimbursement of expenses paid for by the Society on behalf of the Foundation or vice versa, or payment of donations from the Foundation to the Society.

Included in accounts receivable is \$111,472 (2018 - \$nil) due from the Foundation.

These related party transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration paid as agreed by the parties.

10. PENSION PLAN

The Society makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$2,711,552 in 2019 (2018 - \$2,662,939).

The most recent actuarial valuation of the OMERS plan as at December 31, 2018 indicates the Plan is in a surplus position and the plan's December 31, 2018 financial statements indicate a net deficit of \$2.79 billion (a deficit of \$4.191 billion netted against unrecognized investment returns of \$1.401 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. The Society's contributions account for an insignificant portion of the plan's total employer contributions. Additional contributions, if any, required to address the Society's proportionate share of the deficit will be expensed during the period incurred.

11. CREDIT FACILITIES

The Society has credit facilities available, which consist of a revolving demand facility in the amount of \$2,000,000 (2018 - \$2,000,000) bears interest at the Royal Bank of Canada's prime rate minus 0.10%; and a credit card line with a limit of \$50,000 (2018 - \$50,000). As at March 31, 2019, no amounts have been drawn on the revolving demand facility (2018 - \$nil).

The credit facilities are secured by first-ranking security interest in all personal property of the Society and collateral mortgage for \$17,000,000 on lands and buildings of the Society.

12. CONTINGENCIES

The Society has been named, with others, as defendants in claims for damages relating to its mandated work, the outcome of which cannot be determined at this time. The Society believes it has adequate defence against these actions and insurance coverage to defray costs associated with any losses; as such, no provision for loss arising from these claims has been made in these financial statements. Any loss not covered by insurance will be expensed in the year of settlement.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

13. FINANCIAL INSTRUMENTS

The Society is exposed to and manages various risks resulting from its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable, and HST receivable.

The Society's cash is held with a Canadian chartered bank. As a result, management believes the risk of loss of cash to be remote.

The Society manages its credit risk of accounts receivable by dealing only with what management believes to be financially sound counterparts, as well as reviewing and following up on outstanding amounts. As a result, management believes that all accounts receivable will be collected.

HST receivable and amount due from the Province of Ontario consist of amounts due from the provincial governments. As a result, management believes there is minimal credit risk associated with these amounts.

Liquidity risk

Liquidity risk is the risk that the Society cannot meet a demand for cash or fund its financial obligations as they become due. The Society manages its liquidity risk by monitoring preparing budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. As a result, management believes its exposure to liquidity risk is minimal.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Society's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Society's exposure to interest rate risk arises from its mortgage payable, which is financed through monthly Banker's Acceptances and bear interest at variable market rates. The Society uses an interest rate swap agreement to alter the effects of this risk. The interest rate swap agreement which matures in 2025, fixes interest including fees at a rate of 5.175%. As a result, management does not believe it is exposed to significant interest rate risk.

DURHAM CHILDREN'S AID SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2019

13. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk - Cont'd.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument, its issuers, or factors affecting all similar instruments traded in the market. The Society does not have investments in publicly traded securities, and therefore management does not believe it is exposed to significant other price risk.

Changes in risk

There are no significant changes in the Society's risk exposure from the prior year.

14. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified as necessary to conform to the current year's presentation.