
Financial statements of Durham Children's Aid Society

March 31, 2022

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Independent Auditor's Report

To the Board of 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, 2022, and the statements of operations, remeasurement gains and losses, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, and the results of its operations, its remeasurement gains and losses, changes in its fund balances, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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 audit opinion.

Other matter

The financial statements of the Society for the year ended March 31, 2021, were audited by another auditor who expressed an unmodified opinion on June 10, 2021.

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 PSAS, 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 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 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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 6, 2022

Durham Children's Aid Society
Statement of financial position

As at March 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash		1,241,766	3,857,923
Accounts receivable	4	1,070,918	253,439
Harmonized Sales Tax ("HST") receivable		388,132	628,774
Due from Province of Ontario	5	445,683	13,154
Accrued interest		3,633	3,909
Prepaid expenses		685,633	409,148
		3,835,765	5,166,347
Tangible capital assets	6	8,223,043	8,276,092
Restricted cash		2,488,056	2,573,726
		14,546,864	16,016,165
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4	3,262,962	4,295,576
Due to Province of Ontario	5	51,459	355,422
Current portion of mortgage payable	7	1,028,000	980,000
Deferred liability		89,625	142,795
		4,432,046	5,773,793
Mortgage payable	7	2,942,000	3,970,000
Fair value of interest rate swap	7	159,244	458,140
		7,533,290	10,201,933
Fund balances			
General fund		272,476	(85,586)
Capital fund	8	4,253,043	3,326,092
Internally restricted fund		98,592	124,110
Externally restricted fund	9	2,389,463	2,449,616
		7,013,574	5,814,232
		14,546,864	16,016,165

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

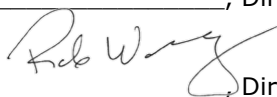
Approved by the Board

Joseph Idegwu



, Director

Robert Woskosky



, Director

Durham Children's Aid Society
Statement of operations
Year ended March 31, 2022

	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Funds	Externally Restricted Funds	2022
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Provincial funding	54,007,919	—	—	—	—	54,007,919
Expenditure recoveries	3,502,200	—	—	—	43,541	3,545,741
Child tax benefits	626,517	—	—	—	—	626,517
Other income	1,028,704	—	—	6,988	290,175	1,325,867
	59,165,340	—	—	6,988	333,716	59,506,044
Expenses						
Salaries and wages	26,371,319	—	—	—	—	26,371,319
Boarding rate payments	13,264,459	—	—	—	—	13,264,459
Employee benefits	7,299,623	—	—	—	—	7,299,623
Client's personal needs	1,403,535	—	—	32,506	393,855	1,829,896
Travel	723,516	—	—	—	14	723,530
Purchased services client	2,117,222	—	—	—	—	2,117,222
Health and related services	408,841	—	—	—	—	408,841
Building occupancy	851,180	—	—	—	—	851,180
Amortization of tangible capital assets	—	727,324	—	—	—	727,324
Financial assistance	2,317,379	—	—	—	—	2,317,379
Office expenses	691,867	—	—	—	—	691,867
Interest on mortgage payable	—	235,176	—	—	—	235,176
Purchased services non-client	492,748	—	—	—	—	492,748
Training, education and conference	147,647	—	—	—	—	147,647
Promotion and publicity	79,322	—	—	—	—	79,322
Administration and technology	1,048,065	—	—	—	—	1,048,065
	57,216,723	962,500	—	32,506	393,869	58,605,598
Excess of revenue over expenses (expenses over revenue)	1,948,617	(962,500)	—	(25,518)	(60,153)	900,446

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

Durham Children's Aid Society
Statement of operations
Year ended March 31, 2021

	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Funds	Externally Restricted Funds	2021
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Provincial funding	55,095,413	—	—	—	—	55,095,413
Expenditure recoveries	2,023,823	—	—	—	—	2,023,823
Child tax benefits	873,754	—	—	—	—	873,754
Other income	939,759	—	—	7,973	438,813	1,386,545
	<u>58,932,749</u>	<u>—</u>	<u>—</u>	<u>7,973</u>	<u>438,813</u>	<u>59,379,535</u>
Expenses						
Salaries and wages	25,794,485	—	—	—	—	25,794,485
Boarding rate payments	14,245,008	—	—	—	—	14,245,008
Employee benefits	6,800,325	—	—	—	—	6,800,325
Client's personal needs	1,520,794	—	—	72,605	399,017	1,992,416
Travel	494,070	—	—	—	—	494,070
Purchased services client	1,530,518	—	—	—	—	1,530,518
Health and related services	401,052	—	—	—	—	401,052
Building occupancy	1,096,368	—	—	—	—	1,096,368
Amortization of tangible capital assets	—	643,202	—	—	—	643,202
Financial assistance	2,315,247	—	—	—	—	2,315,247
Office expenses	1,041,139	—	—	—	—	1,041,139
Interest on mortgage payable	—	282,758	—	—	—	282,758
Purchased services non-client	471,964	—	—	—	—	471,964
Training, education and conference	144,085	—	—	—	—	144,085
Promotion and publicity	104,412	—	—	—	—	104,412
Administration and technology	1,206,932	—	—	—	—	1,206,932
	<u>57,166,399</u>	<u>925,960</u>	<u>—</u>	<u>72,605</u>	<u>399,017</u>	<u>58,563,981</u>
Excess of revenue over expenses (expenses over revenue) before the following	1,766,350	(925,960)	—	(64,632)	39,796	815,554
Prior year surpluses paid	(1,298,137)	—	—	—	—	(1,298,137)
Excess of revenue over expenses (expenses over revenue)	<u>468,213</u>	<u>(925,960)</u>	<u>—</u>	<u>(64,632)</u>	<u>39,796</u>	<u>(482,583)</u>

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

Durham Children's Aid Society
Statement of remeasurement gains and losses
Year ended March 31, 2022

	2022	2021
	\$	\$
Accumulated remeasurement losses, opening balance	(458,140)	—
Opening adjusting entries to establish fair value of interest rate swap	—	(678,108)
Change in fair value of interest rate swap	298,896	219,968
Net remeasurement gains and (losses)	298,896	(458,140)
Accumulated remeasurement losses, closing balance	(159,244)	(458,140)

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

Durham Children's Aid Society
Statement of changes in fund balances
Year ended March 31, 2022

	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Fund	Externally Restricted Funds	2022
	\$	\$	\$	\$	\$	\$
Opening of balance	(85,586)	3,326,092	—	124,110	2,449,616	5,814,232
Excess of revenue over expenses (expenses over revenue)	1,948,617	(962,500)	—	(25,518)	(60,153)	900,446
Net remeasurement gains and (losses)	298,896	—	—	—	—	298,896
Transfer to Capital fund	(1,889,451)	1,889,451	—	—	—	—
Closing balance	272,476	4,253,043	—	98,592	2,389,463	7,013,574
	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Fund	Externally Restricted Funds	2021
	\$	\$	\$	\$	\$	\$
Opening of balance	1,587,648	2,568,745	—	188,742	2,409,820	6,754,955
Excess of revenue over expenses (expenses over revenue)	468,213	(925,960)	—	(64,632)	39,796	(482,583)
Net remeasurement gains and (losses)	(458,140)	—	—	—	—	(458,140)
Transfer to Capital fund	(1,683,307)	1,683,307	—	—	—	—
Closing balance	(85,586)	3,326,092	—	124,110	2,449,616	5,814,232

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

Durham Children's Aid Society

Statement of cash flows

Year ended March 31, 2022

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses (expenses over revenue)	900,446	(482,583)
Item not involving cash		
Amortization of tangible capital assets	727,324	643,202
	1,627,770	160,619
Changes in non-cash operating items		
Accounts receivable	(817,479)	195,076
HST receivable	240,642	140,366
Accrued interest	276	5,398
Prepaid expenses	(276,485)	404,629
Accounts payable and accrued liabilities	(1,032,614)	(1,653,122)
Deferred liability	(53,170)	142,795
	(311,060)	(604,239)
Capital activity		
Purchase of tangible capital assets	(674,275)	(464,549)
Financing activities		
(Increase) decrease in due from the Province of Ontario	(736,492)	1,287,950
Repayment of mortgage payable	(980,000)	(936,000)
	(1,716,492)	351,950
Decrease in cash	(2,701,827)	(716,838)
Cash, beginning of year	6,431,649	7,148,487
Cash, end of year	3,729,822	6,431,649
Cash is represented by		
Cash	1,241,766	3,857,923
Restricted cash	2,488,056	2,573,726
	3,729,822	6,431,649

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

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

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 public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Fund accounting

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

- (i) General Fund: Reports the revenue and expenses related to program delivery and operating activities.
- (ii) Capital Fund: Reports the assets and liabilities, revenue and expenses related to the Society's property and equipment.
- (iii) Balanced Budget Fund: Reports the revenue and expenses related to Balanced Budget Fund, as described in Note 5.
- (iv) 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.
- (v) 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.

2. Significant accounting policies (continued)

Restricted cash

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

Financial instruments

The Society classifies its financial instruments as either fair value or amortized cost. The Society's accounting policy for each is as follows:

Fair value

This category includes an interest rate swap (see Note 7). Instruments in the fair value category are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are reclassified to the statement of operations.

Any transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from the accumulated remeasurement gains and losses and recognized in the statement of operations. On disposal or settlement, the accumulated remeasurement gains and losses associated with the financial instrument is removed from net assets and recognized in the statement of operations.

Amortized cost

This category includes accounts receivable, due from/to the Province of Ontario, accounts payable and accrued liabilities, and mortgage payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Tangible capital assets

Tangible 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
Furniture and equipment	25 years
Leasehold improvements	Over the term of the lease

2. Significant accounting policies (continued)

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 Children, Community and Social Services ("MCCSS"), 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 MCCSS, 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 9.

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 public sector accounting standards for government 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 tangible capital assets, accrued liabilities, deferred liability, and the fair value of interest rate swap. Actual results could differ from the estimates.

3. Economic dependence

The continuation of the Society is substantially dependent upon the ongoing financial support from MCCSS. In 2022, approximately 91% (92% in 2021) of all funding was contributed by MCCSS.

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

4. Related party transactions and balances

The Society has an economic interest in the Durham Children's Aid Foundation (the "Foundation").

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.

As at March 31, 2022, the Society has \$nil included in accounts receivable/payable due from/to the Foundation (\$nil in 2021).

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.

The objects of the Foundation are:

- A. To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to charitable organizations that are also registered charities under the Income Tax Act (Canada), that are approved by the Foundation's Board of Trustees. Funds will be directed to meet the needs of children, youth and their families in the Durham Region, without limiting the generality of the foregoing:
 - (a) to foster and support educational, recreational, remedial, enrichment, community development and other programs focusing on the health, development and well-being of children and youth;
 - (b) to allocate funds for the prevention of child abuse and neglect.
- B. To develop, implement and manage programs that directly meet the needs of at risk children and youth and their families in the Durham Region.

5. Balanced budget fund and amounts due from (to) province of Ontario

In 2014, MCCSS 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. The conditions are as follows:

- (a) The Society must have generated a prior year surplus recovered in or after fiscal 2013-14;
- (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.

For the Society, 100% of the 2021-22 operating deficit of \$437,144 will be recovered from the Society's 2021-22 allocated holdback. The surplus of \$355,422 in 2021 was contributed to the MCCSS-managed Balanced Budget Fund account. The remaining 50% of the 2020-21 operating surplus was contributed to the Society's own Balanced Budget Fund account. Management believes this amount will be collectible in the future when the above conditions are met.

During the 2022 fiscal year, there was no Balanced Budget Fund available for use by the Society (\$nil Balanced Budget Fund available for use in 2021).

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

5. Balanced budget fund and amounts due from (to) province of Ontario (continued)

During the 2022 fiscal year, MCCSS claw backed the 2021 fiscal year surplus of \$355,422. As at March 31, 2022, the Society has \$445,683 due from MCCSS (\$13,154 due from Ministry of College and Universities (York Durham Crown Ward Education Championship Team ("CWECT") fund in 2021), and \$31,459 due to CWECT and \$20,000 due to the Ontario Autism Program (\$355,422 was due to MCCSS in 2021)

Due from (to) Province of Ontario is comprised of the following:

	2022	2021
	\$	\$
2022 deficit recoverable	445,683	—
Other miscellaneous amounts	(51,459)	13,154
2021 surplus repayable	—	(355,422)
Due from (to) Province of Ontario	394,224	(342,268)

6. Tangible capital assets

Tangible capital assets are comprised of the following:

	Cost	Accumulated Amortization	2022 Net book value	Cost	Accumulated Amortization	2021 Net book value
	\$	\$	\$	\$	\$	\$
Computer equipment	3,503,826	3,173,803	330,023	3,203,528	3,070,570	132,958
Furniture and equipment	373,977	7,480	366,497	—	—	—
Leasehold improvements	305,001	24,400	280,601	305,001	12,200	292,801
Building (Taunton Head Office)	15,110,286	8,729,631	6,380,655	15,110,286	8,125,220	6,985,066
	19,293,090	11,935,314	7,357,776	18,618,815	11,207,990	7,410,825
Land:						
Grenfell Group Homes	7,500	—	7,500	7,500	—	7,500
Taunton Head Office	857,767	—	857,767	857,767	—	857,767
	20,158,357	11,935,314	8,223,043	19,484,082	11,207,990	8,276,092

7. Mortgage payable

In 2007, the Society financed \$17,000,000 of the cost of its building construction with a credit facility from a Canadian chartered bank. 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 fair value of the interest rate swap amounted to \$159,244 as at March 31, 2022 (\$458,140 in 2021).

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

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

7. Mortgage payable (continued)

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

	\$
2023	1,028,000
2024	1,076,000
2025	1,128,000
2026	738,000
	<u>3,970,000</u>
Less: current portion	<u>1,028,000</u>
	<u>2,942,000</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.

8. Capital Fund

The Capital Fund balance is comprised of the following:

	2022 \$	2021 \$
Tangible capital assets	8,223,043	8,276,092
Less: Mortgage payable	(3,970,000)	(4,950,000)
	<u>4,253,043</u>	<u>3,326,092</u>

9. Externally restricted funds

As per MCCSS 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 is the result of an initiative of the Government of Ontario's Ministries of Colleges and Universities, MCCSS and Ministry of Education to improve the educational outcomes of Crown Wards. The primary focus of the CWECT fund 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 RDSP fund is set-up for Crown Wards in similar way as the RESP's to support Crown Wards with disability.

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

9. Externally restricted funds (continued)

The Externally Restricted Fund balance is comprised of the following:

	2022	2021
	\$	\$
RESP Fund	1,358,087	1,406,247
OCBe Fund	1,012,776	1,024,769
CWECT Fund	-	-
RDSP Fund	18,600	18,600
	2,389,463	2,449,616

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 OMERS plan (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 \$2,636,496 in 2022 (\$2,621,362 in 2021) which are included in the expense for employee benefits on the statement of operations.

The most recent actuarial valuation of the Plan as at December 31, 2021 indicates that the Plan is in a deficit position and the Plan's December 31, 2021 financial statements indicate a net deficit of \$69 million comprised of a deficit of \$3.131 billion less an adjustment of \$3.062 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period (deficit of \$7.655 billion comprised of a deficit of \$3.211 billion plus and adjustment of \$4.444 billion of unrecognized investments returns above or below the discount rate that is being smoothed and recognized over a five-year period in 2021). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Society's contributions accounted for an insignificant portion of the Plan's total employer contribution. 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 (\$2,000,000 in 2021) bears interest at the Canadian chartered bank's prime rate minus 0.10%; and a credit card line with a limit of \$74,500 (\$65,000 in 2021). As at March 31, 2022, no amounts have been drawn on the revolving demand facility (nil in 2021).

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 defense 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.

During the 2021 year, an uninsured claim was brought forth against the Society, claiming damages totaling \$950,000. The Society and legal counsel are unable to assess the Society's potential liability, if any, resulting from this action.

Durham Children's Aid Society

March 31, 2022

Notes to the financial statements

13. Contractual rights

In 2022, the Society, in addition to a 5-year agreement with Frontenac Youth Services ("FYS"), also entered into a 3-year agreement with Grandview Kids ("GK"), and a 2-year agreement with The Denise House ("TDH"), for the lease of premises within the Society's building at 1320 Airport Boulevard, Oshawa, Ontario. FYS, GK, and TDH, have agreed to pay the Society the following minimum annual lease payments for net rent and operating costs:

	\$
2023	295,463
2024	278,235
2025	230,954
2026	147,585
	<u>952,237</u>

14. 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, due from the Province of Ontario, 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.

14 Financial instruments (continued)

Market risk (continued)

(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.

(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.