

**FINANCIAL STATEMENTS**  
**For**  
**DURHAM CHILDREN'S AID SOCIETY**  
**For year ended**  
**MARCH 31, 2021**

**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, 2021 and 2020, and the statements of operations, remeasurement gains and losses, changes in fund balances and cash flows for the years 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, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with Canadian public sector accounting standards for government 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 public sector accounting standards for government 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.

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.

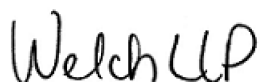
### *Auditor's Responsibilities for the Audit of the Financial Statement*

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 10, 2021

**DURHAM CHILDREN'S AID SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,857,923	\$ 4,549,925
Accounts receivable (note 5)	253,439	448,515
HST receivable	628,774	769,140
Due from Province of Ontario (note 6)	13,154	945,682
Accrued interest	3,909	9,307
Prepaid expenses	<u>409,148</u>	<u>813,777</u>
	5,166,347	7,536,346
<b>TANGIBLE CAPITAL ASSETS (note 7)</b>	8,276,092	8,454,745
<b>RESTRICTED CASH</b>	<u>2,573,726</u>	<u>2,598,562</u>
	<u>\$ 16,016,165</u>	<u>\$ 18,589,653</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,295,576	\$ 5,948,698
Due to Province of Ontario (note 6)	355,422	-
Current portion of mortgage payable (note 8)	980,000	936,000
Deferred liability	<u>142,795</u>	<u>-</u>
	5,773,793	6,884,698
<b>MORTGAGE PAYABLE (note 8)</b>	3,970,000	4,950,000
<b>FAIR VALUE OF INTEREST RATE SWAP (note 3 and 8)</b>	<u>458,140</u>	<u>-</u>
	<u>10,201,933</u>	<u>11,834,698</u>
<b>FUND BALANCES</b>		
General fund	(85,586)	1,587,648
Capital fund (note 9)	3,326,092	2,568,745
Internally restricted fund	124,110	188,742
Externally restricted fund (note 10)	<u>2,449,616</u>	<u>2,409,820</u>
	<u>5,814,232</u>	<u>6,754,955</u>
	<u>\$ 16,016,165</u>	<u>\$ 18,589,653</u>

Approved by the Board:

..... *Robert Royer* ..... Director

..... *Joseph Adegunu* ..... Director

(See accompanying notes)

**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 Total	2020 Total
<b>Revenue</b>							
Provincial funding	\$ 55,095,413	\$ -	\$ -	\$ -	\$ -	\$ 55,095,413	\$ 59,407,857
Expenditure recoveries	2,023,823	-	-	-	-	2,023,823	2,361,722
Child tax benefits	873,754	-	-	-	-	873,754	1,083,789
One-time Balanced Budget Fund funding (note 6)	-	-	-	-	-	-	890,638
Other income	939,759	-	-	7,973	438,813	1,386,545	2,322,515
	<u>58,932,749</u>	<u>-</u>	<u>-</u>	<u>7,973</u>	<u>438,813</u>	<u>59,379,535</u>	<u>66,066,521</u>
<b>Expenses</b>							
Salaries and wages	25,794,485	-	-	-	-	25,794,485	26,724,108
Boarding rate payments	14,245,008	-	-	-	-	14,245,008	17,973,759
Employee benefits (note 11)	6,800,325	-	-	-	-	6,800,325	6,693,154
Client's personal needs	1,520,794	-	-	72,605	399,017	1,992,416	2,663,804
Travel	494,070	-	-	-	-	494,070	1,337,940
Purchased services client	1,530,518	-	-	-	-	1,530,518	1,791,799
Health and related services	401,052	-	-	-	-	401,052	596,507
Building occupancy	1,096,368	-	-	-	-	1,096,368	918,526
Amortization of tangible capital assets (note 7)	-	643,202	-	-	-	643,202	630,854
Financial assistance	2,315,247	-	-	-	-	2,315,247	2,102,483
Office expenses	1,041,139	-	-	-	-	1,041,139	1,450,168
Interest on mortgage payable (note 8)	-	282,758	-	-	-	282,758	330,582
Purchased services non-client	471,964	-	-	-	-	471,964	371,100
Training, education and conference	144,085	-	-	-	-	144,085	200,168
Promotion and publicity	104,412	-	-	-	-	104,412	163,061
Administration and technology	1,206,932	-	-	-	-	1,206,932	1,258,023
	<u>57,166,399</u>	<u>925,960</u>	<u>-</u>	<u>72,605</u>	<u>399,017</u>	<u>58,563,981</u>	<u>65,206,036</u>
<b>Excess of revenue over expenses (expenses over revenue) before the following</b>	1,766,350	(925,960)	-	(64,632)	39,796	815,554	860,485
Prior year surpluses paid (note 6)	<u>(1,298,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,298,137)</u>	<u>-</u>
<b>Excess of revenue over expenses (expenses over revenue)</b>	\$ 468,213	\$ (925,960)	\$ -	\$ (64,632)	\$ 39,796	\$ (482,583)	\$ 860,485

(See accompanying notes)

**Welch LLP**<sup>®</sup>

**DURHAM CHILDREN'S AID SOCIETY**  
**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**YEAR ENDED MARCH 31, 2021**

	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
Accumulated remeasurement gains and (losses), opening balance	\$ -	\$ -
Opening adjusting entries to establish fair value of interest rate swap	(678,108)	-
Change in fair value of interest rate swap	<u>219,968</u>	<u>-</u>
Net remeasurement gains and (losses)	<u>(458,140)</u>	<u>-</u>
Accumulated remeasurement gains and (losses), closing balance	\$ <u>(458,140)</u>	\$ <u>-</u>

(See accompanying notes)

**Welch LLP<sup>®</sup>**

**DURHAM CHILDREN'S AID SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**YEAR ENDED MARCH 31, 2021**

	2021					Total
	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Fund	Externally Restricted Funds	
Opening 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)
Transfer from Balanced Budget Fund (note 6)	-	-	-	-	-	-
Net remeasurement gains and (losses)	(458,140)	-	-	-	-	(458,140)
Transfer to Capital fund	<u>(1,683,307)</u>	<u>1,683,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ (85,586)</u>	<u>\$ 3,326,092</u>	<u>\$ -</u>	<u>\$ 124,110</u>	<u>\$ 2,449,616</u>	<u>\$ 5,814,232</u>

	2020					Total
	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Fund	Externally Restricted Funds	
Opening balance	\$ 636,756	\$ 2,305,600	\$ -	\$ 189,548	\$ 2,762,566	\$ 5,894,470
Excess of revenue over expenses (expenses over revenue)	1,284,836	(961,437)	890,638	(806)	(352,746)	860,485
Transfer from Balanced Budget Fund (note 6)	890,638	-	(890,638)	-	-	-
Transfer to Capital fund	<u>(1,224,582)</u>	<u>1,224,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>\$ 1,587,648</u>	<u>\$ 2,568,745</u>	<u>\$ -</u>	<u>\$ 188,742</u>	<u>\$ 2,409,820</u>	<u>\$ 6,754,955</u>

(See accompanying notes)

**Welch LLP**<sup>®</sup>

**DURHAM CHILDREN'S AID SOCIETY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	\$ (482,583)	\$ 860,485
Item not involving cash:		
Amortization of tangible capital assets	<u>643,202</u>	<u>630,855</u>
	160,619	1,491,340
Changes in non-cash working capital components:		
Accounts receivable	195,076	105,182
HST receivable	140,366	(31,776)
Accrued interest	5,398	2,670
Prepaid expenses	404,629	(78,250)
Accounts payable and accrued liabilities	(1,653,122)	1,273,653
Deferred liability	<u>142,795</u>	<u>-</u>
	<u>(604,239)</u>	<u>2,762,819</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	<u>(464,549)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
(Increase) decrease in due from the Province of Ontario	1,287,950	(945,682)
Repayment of mortgage payable	<u>(936,000)</u>	<u>(894,000)</u>
	<u>351,950</u>	<u>(1,839,682)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(716,838)	923,137
<b>CASH, BEGINNING OF YEAR</b>	<u>7,148,487</u>	<u>6,225,350</u>
<b>CASH, END OF YEAR</b>	<u>\$ 6,431,649</u>	<u>\$ 7,148,487</u>
<hr/>		
<b>Cash is represented by:</b>		
Cash	\$ 3,857,923	\$ 4,549,925
Restricted cash	<u>2,573,726</u>	<u>2,598,562</u>
	<u>\$ 6,431,649</u>	<u>\$ 7,148,487</u>

(See accompanying notes)



**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2021**

**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:

- (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) Balanced Budget Fund: Reports the revenue and expenses related to Balanced Budget Fund, as described in Note 6.
- (4) 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.
- (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, 2021**

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

*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 derivatives and equity instruments quoted in an active market. 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, long-term receivables, accounts payable and accrued liabilities, bank loans, and term / mortgage debt. 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.

The Society measures the fair market value of its financial instruments based on their classification in a hierarchy comprised of three levels:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

*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

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

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

*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 10.

*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 and the valuation of accrued liabilities. Actual results could differ from the estimates.

3. **FIRST TIME ADOPTION OF PSAS**

Effective April 1, 2020, the Society adopted the requirements of the Canadian Public Sector Accounting Standards for Not-for-Profit Organizations. These are the Society's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied.

Section 2125 requires retroactive application of the accounting standards with certain elective exemptions. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended March 31, 2021, the comparative information presented in these financial statements for the year ended March 31, 2020, and the preparation of an opening statement of financial position at the date of transition of April 1, 2020.

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

3. **FIRST TIME ADOPTION OF PSAS - Cont'd.**

*Estimates*

In adopting public sector standards, estimates previously made by the Society were not revised for the application of PSAS except where necessary to reflect any difference in accounting policy. The Society has not used hindsight to adjust or revise estimates.

*Change in accounting policy*

On April 1, 2020, the Society adopted Public Sector Accounting Standard PS 3450, Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments (including derivatives) are included in the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the financial instrument and the Society's accounting policy choices (see Note 2 Significant Accounting Policies).

In accordance with the provisions of this standard, the Society reflected the following adjustments:

April 1, 2020: decrease to Net Assets (General Fund) and an increase to accumulated remeasurement gains and losses of \$678,108 due to the fair value of the Society's interest rate swap being measured and classified to the accumulated remeasurement gains and losses.

To illustrate the adjustment on the statement of financial position, the following balances show the fair value pre-transition, on the date of transition, and as at the financial statement reporting date:

Fair value of interest rate swap as at March 31, 2020	\$	-
Fair value of interest rate swap as at April 1, 2020		678,108
Fair value of interest rate swap as at March 31, 2021		458,140

4. **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 2021, approximately 92% (2020 - 91%) of all funding was contributed by the Ministry of Children and Youth Services of Ontario.

5. **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, 2021, the Society has \$nil included in accounts receivable (2020 - \$19,513) 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.

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

**5. RELATED PARTY TRANSACTIONS AND BALANCES - Cont'd.**

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.

**6. 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, 50% of the 2020-21 operating surplus of \$355,422 will be contributed to the Ministry-managed Balanced Budget Fund account. The remaining 50% of the 2020-21 operating surplus will be contributed to the Society's own Balanced Budget Fund account. Management believes these amount will be collectible in the future when the above conditions are met.

During the 2021 fiscal year, there was no Balanced Budget Fund available for use by the Society (2020 - the Society requested access to the MCCSS Balanced Budget Fund and was approved for \$890,638 of one-time funding to offset their 2018 fiscal year deficit of \$2,431,505).

During the 2021 fiscal year, the Society was notified that the MCCSS intended to clawback a total of \$1,298,137 of prior fiscal year surpluses, \$1,237,882 for 2018-19 and \$60,255 for 2019-20, which was paid in 2021. As at March 31, 2021, the Society has \$13,154 due from the Ministry of College and Universities (CWECT) and \$355,422 due to the MCCSS.

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

	<u>2021</u>	<u>2020</u>
Approved one-time Balanced Budget Fund funding	\$ -	\$ 890,638
Other miscellaneous amounts	13,154	55,044
2020-21 surplus repayable	<u>(355,422)</u>	<u>-</u>
Due from (to) Province of Ontario	<u>\$ (342,268)</u>	<u>\$ 945,682</u>

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

**7. TANGIBLE CAPITAL ASSETS**

Tangible capital assets is comprised of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 3,203,528	\$ 3,070,570	\$ 3,043,980	\$ 3,043,980
Building:				
Taunton Head Office	<u>15,415,287</u>	<u>8,137,420</u>	<u>15,110,286</u>	<u>7,520,808</u>
	18,618,815	11,207,990	18,154,266	10,564,788
Land:				
Grenfell Group Homes	7,500	-	7,500	-
Taunton Head Office	<u>857,767</u>	<u>-</u>	<u>857,767</u>	<u>-</u>
	19,484,082	<u>\$ 11,207,990</u>	19,019,533	<u>\$ 10,564,788</u>
Less: accumulated amortization	<u>(11,207,990)</u>		<u>(10,564,788)</u>	
	<u>\$ 8,276,092</u>		<u>\$ 8,454,745</u>	

**8. 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 fair value of the interest rate swap amounted to \$458,140 as at March 31, 2021 (2020 - \$nil).

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:

2022	\$ 980,000
2023	1,028,000
2024	1,076,000
2025	1,128,000
2026	<u>738,000</u>
	<u>\$ 4,950,000</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.

**9. CAPITAL FUND**

The Capital Fund balance is comprised of the following:

	<u>2021</u>	<u>2020</u>
Tangible capital assets	\$ 8,276,092	\$ 8,454,745
Less: Mortgage payable	<u>(4,950,000)</u>	<u>(5,886,000)</u>
	<u>\$ 3,326,092</u>	<u>\$ 2,568,745</u>

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

**10. 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 RDSP fund is set-up for Crown Wards in similar way as the RESP's to support Crown Wards with disability.

The Externally Restricted Fund balance is comprised of the following:

	<u>2021</u>	<u>2020</u>
RESP Fund	\$ 1,406,247	\$ 1,496,019
OCBe Fund	1,024,769	895,635
CWECT Fund	-	18,166
RDSP Fund	<u>18,600</u>	<u>-</u>
	<u>\$ 2,449,616</u>	<u>\$ 2,409,820</u>

**11. 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 \$2,621,362 in 2021 (2020 - \$2,604,661) 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, 2020 indicates that the Plan is in a deficit position and the Plan's December 31, 2020 financial statements indicate a net deficit of 7.655 billion (a deficit of \$3.211 billion plus adjustment of \$4.444 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period). 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.

**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

**12. CREDIT FACILITIES**

The Society has credit facilities available, which consist of a revolving demand facility in the amount of \$2,000,000 (2020 - \$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 \$65,000 (2020 - \$50,000). As at March 31, 2021, no amounts have been drawn on the revolving demand facility (2020 - \$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.

**13. 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.

During the 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.

**14. CONTRACTUAL RIGHTS**

In 2021, the Society entered into a 5-year agreement with Frontenac Youth Services for the lease of premises within the Society's building at 1320 Airport Boulevard, Oshawa, Ontario. Frontenac Youth Services has agreed to pay the Society the following minimum annual lease payments for net rent and operating costs:

2022	\$ 161,002
2023	161,002
2024	161,002
2025	161,002
2026	<u>134,169</u>
	<u>\$ 778,177</u>

**15. 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.



**DURHAM CHILDREN'S AID SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2021**

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

*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.

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.

*Fair value hierarchy*

The Society only carries one financial instrument that is measured in the fair value category. The interest rate swap, used to hedge against changing interest rates, is classified as a level 2 in the fair value hierarchy.