
Financial statements of
Durham Children's Aid Society

March 31, 2025

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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, 2025, 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, 2025, 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.

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
June 19, 2025

Durham Children's Aid Society
Statement of financial position

As at March 31, 2025

	Notes	2025 \$	2024 \$
Assets			
Current assets			
Cash		718,406	1,030,351
Accounts receivable	4	609,664	754,323
Harmonized Sales Tax ("HST") receivable		297,509	465,828
Due from Province of Ontario - Ministry of Children, Community and Social Services ("MCCSS")	5	24,674	331,802
Accrued interest		8,430	16,345
Prepaid expenses		373,605	441,339
		2,032,288	3,039,988
Tangible capital assets			
Restricted cash	6	6,089,115	6,798,935
		2,312,430	2,285,630
		10,433,833	12,124,553
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		3,766,470	3,818,759
RESP and RDSP Payable	2 and 7	1,130,469	1,132,985
Current portion of mortgage payable	8	738,000	1,128,000
Deferred revenue	2 and 10	1,123,133	1,137,915
		6,758,072	7,217,659
Mortgage payable	8	—	738,000
Fair value of interest rate swap	8	5,022	(607)
		6,763,094	7,955,052
Contingencies	13		
Fund balances			
General fund	2	(1,799,700)	(876,401)
Capital fund	9	5,351,115	4,932,935
Internally restricted fund		124,346	112,360
Externally restricted fund		—	—
		3,675,761	4,168,894
Accumulated remeasurement (losses) gains		(5,022)	607
		10,433,833	12,124,553

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

Approved by the Board


_____, Director


_____, Director

Durham Children's Aid Society
Statement of operations
Year ended March 31, 2025

	Notes	General Fund	Capital Fund	Balanced Budget Fund	Internally Restricted Fund	Externally Restricted Fund	2025	2024
		\$	\$	\$	\$	\$	\$	\$
Revenue								
Provincial funding – MCCSS	3	56,122,197	—	—	—	—	56,122,197	56,784,022
Expenditure recoveries		4,200,188	—	—	—	69,541	4,269,729	2,492,882
Child tax benefits		519,443	—	—	—	—	519,443	601,511
Other income	2	681,957	—	—	11,986	152,079	846,022	999,895
		61,523,785	—	—	11,986	221,620	61,757,391	60,878,310
Expenses								
Salaries and wages		26,542,263	—	—	—	—	26,542,263	26,199,329
Boarding rate payments		16,073,052	—	—	—	—	16,073,052	15,276,545
Employee benefits	11	7,407,790	—	—	—	—	7,407,790	7,280,777
Client's personal needs	2	1,565,090	—	—	—	221,620	1,786,710	1,845,837
Travel		812,474	—	—	—	—	812,474	858,950
Purchased services client		2,774,757	—	—	—	—	2,774,757	2,897,328
Health and related services		510,462	—	—	—	—	510,462	376,795
Building occupancy		897,824	—	—	—	—	897,824	1,062,668
Amortization of tangible capital assets		—	709,820	—	—	—	709,820	786,462
Financial assistance		2,094,282	—	—	—	—	2,094,282	2,206,011
Office expenses		355,754	—	—	—	—	355,754	399,140
Interest on mortgage payable	8	—	71,436	—	—	—	71,436	128,901
Purchased services non-client		292,353	—	—	—	—	292,353	483,343
Training, education and conference		288,629	—	—	—	—	288,629	237,165
Promotion and publicity		130,032	—	—	—	—	130,032	133,432
Administration and technology		1,502,886	—	—	—	—	1,502,886	1,569,613
		61,247,648	781,256	—	—	221,620	62,250,524	61,742,296
Excess (deficiency) of revenue over expenses		276,137	(781,256)	—	11,986	—	(493,133)	(863,986)

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, 2025

	2025	2024
	\$	\$
Accumulated remeasurement gain (losses), opening balance	607	(21,201)
Change in fair value of interest rate swap during the year	(5,629)	21,808
Accumulated remeasurement (losses) gains, closing balance	(5,022)	607

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, 2025

	General Fund	Capital Fund	Internally Restricted Fund	Externally Restricted Fund	2025
Notes	\$	\$	\$	\$	\$
Opening balance, as previously reported	(876,401)	4,932,935	112,360	2,173,270	6,342,164
Adjustment due to change in accounting policy	—	—	—	(2,173,270)	(2,173,270)
Opening balance, as adjusted	(876,401)	4,932,935	112,360	—	4,168,894
Excess (deficiency) of revenue over expenses	276,137	(781,256)	11,986	—	(493,133)
Transfer to Capital fund	(1,199,436)	1,199,436	—	—	—
Closing balance	(1,799,700)	5,351,115	124,346	—	3,675,761
	General Fund	Capital Fund	Internally Restricted Fund	Externally Restricted Funds	2024
	\$	\$	\$	\$	\$
Opening balance, as previously reported	289,513	4,643,397	99,970	2,212,206	7,245,086
Adjustment due to change in accounting policy	—	—	—	(2,212,206)	(2,212,206)
Opening balance, as adjusted	289,513	4,643,397	99,970	—	5,032,880
Excess (deficiency) of revenue over expenses	38,987	(915,363)	12,390	—	(863,986)
Transfer to Capital fund	(1,204,901)	1,204,901	—	—	—
Closing balance, as adjusted	(876,401)	4,932,935	112,360	—	4,168,894

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

Durham Children's Aid Society**Statement of cash flows**

Year ended March 31, 2025

	Notes	2025 \$	2024 \$
Operating activities			
Deficiency of revenues over expenses	2	(493,133)	(863,986)
Item not involving cash			
Amortization of tangible capital assets		709,820	786,462
		216,687	(77,524)
Changes in non-cash operating items			
Accounts receivable		144,659	203,558
Harmonized Sales Tax receivable		168,319	(72,660)
Due from Province of Ontario		307,128	(304,309)
Accrued interest		7,915	12,495
Prepaid expenses		67,734	353,357
Accounts payable and accrued liabilities		(52,289)	(1,555,543)
RESP and RDSP payable	2	(2,516)	(94,360)
Deferred revenue	2	(14,782)	40,018
		842,855	(1,494,968)
Financing activity			
Repayment of mortgage payable		(1,128,000)	(1,076,000)
Decrease in cash		(285,145)	(2,570,968)
Cash, beginning of year		3,315,981	5,886,949
Cash, end of year		3,030,836	3,315,981
Cash is represented by			
Cash		718,406	1,030,351
Restricted cash		2,312,430	2,285,630
		3,030,836	3,315,981

The accompanying notes are an integral part of 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 wellbeing 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.

Change in accounting policy

Effective April 1, 2024, the Society changed its accounting policy for reporting restricted contributions from the restricted fund method to the deferral method. This change in accounting policy is more reflective of the economic reality and more informative to users. The change in accounting policy has been applied retroactively with restatement of the prior period.

The impact of this change is summarized below:

	As previously reported April 1, 2023 \$	Policy change \$	Adjusted April 1, 2023 \$
Statement of financial position			
Fund balances	7,245,086	(2,212,206)	5,032,880

2. Significant accounting policies (continued)

Change in accounting policy (continued)

	As previously reported March 31, 2024 \$	Policy change \$	Adjusted March 31, 2024 \$
Statement of financial position			
RESP and RDSP payable	—	1,132,985	1,132,985
Deferred revenue	97,630	1,040,285	1,137,915
Fund balances	<u>6,342,164</u>	<u>(2,173,270)</u>	<u>4,168,894</u>
Statement of operations			
for the year ended March 31, 2024			
Other income	1,171,024	(171,129)	999,895
Client personal needs expense	2,055,902	(210,065)	1,845,837
Deficiency of revenue over expenses	<u>(902,922)</u>	<u>38,936</u>	<u>(863,986)</u>

Fund accounting

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 on the 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 revenues and expenses of 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 the revenues and expenses of the Ontario Child Benefit Equivalent program (OCBE) and the Ontario Education Championship Team (OECT) program. Revenue from contributions for these programs is recognized when eligible expenses are incurred and unearned contributions are recorded to Deferred revenue - Note 10.

The OCBE program contributions are 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 resilience, social skills, and relationship development as well as a smoother transition to adulthood.

The OECT program contributions are to be used to improve the educational outcomes of Crown Wards. The primary focus is support for better educational outcomes, training and employment opportunities through the creation of a community-based model with strong partnerships between the Children's Aid Societies, district school boards and post-secondary institutions.

Revenue recognition

The Society follows the deferral method of accounting for restricted contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Unrestricted contributions 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. 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.

Revenue from transactions with performance obligations is recognized when the Society satisfies the performance obligation.

Restricted cash

Restricted cash consists of internally and externally restricted funds.

Financial instruments

Financial instruments reported on the statement of financial position are measured at fair value or amortized cost. The Society's accounting policy for each is as follows:

Fair value

This category includes cash and 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 for 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

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 due.

2. Significant accounting policies (continued)

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 2025, 95% (93% in 2024) of all funding was contributed by MCCSS.

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 of March 31, 2025, the Society has \$104,999 included in accounts receivable to the Foundation (\$57,965 in 2024).

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.

The Society’s contributions to the “Balanced Budget Fund” will be collectible in the future when the above conditions are met.

In the 2025 fiscal year, no Balanced Budget Fund was available for use by the Society (\$327,052 for 2024).

As of March 31, 2025, the Society has a receivable relating to the child welfare funding shortfall of \$24,674 (\$4,750 in 2024) due from MCCSS. As of March 31, 2025, the Society has a payable relating to the Ontario Autism Program (OAP) funding of \$30,932 (\$16,449 in 2024) due to Accerta Services.

6. Tangible capital assets

Tangible capital assets are comprised of the following:

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
	\$	\$	\$	\$
Computer Equipment	3,577,967	3,565,610	12,357	87,120
Furniture and Equipment	401,143	55,073	346,070	362,115
Leasehold Improvements	365,001	67,000	298,001	312,601
Building (Taunton Head Office)	15,110,286	10,542,865	4,567,421	5,171,832
	19,454,396	14,230,549	5,223,848	5,933,668
Land				
Grenfell Group Homes	7,500	—	7,500	7,500
Taunton Head Office	857,767	—	857,767	857,767
	20,319,663	14,230,549	6,089,115	6,798,935

7. RESP and RDSP Payable

The Society receives specific funds from Canada Revenue Agency for children in care and establishes individual Registered Education Savings Plans (RESPs) according to the Policy Directive from the Ministry. These funds are held by the Society until eligibility conditions required for opening RESP are met. The RESP funds held totaling \$1,111,869 (\$1,114,385 in 2024) are restricted and are held until RESP is established for each qualifying child.

7. RESP and RDSP Payable (continued)

The Society is responsible for the management and distribution of the RESPs. Once RESP is established, the Society does not have access to the funds. If a child cannot be found upon collapsing of the fund, earned funds are distributed to the remaining active RESP accounts. During the year \$115,346 (\$210,065 in 2024) was transferred to the RESP provider for deposit into individual plans for children. At March 31, 2025 the Society is the sponsor of 402 RESPs (391 in 2024) with total contributions of \$2,995,850 (\$2,881,742 in 2024). Individual RESPs are not included in the financial statements of the Society.

The Society received RDSP fund supplements in 2021 for eligible Crown Wards of \$18,600. This is a long-term savings plan that benefits children and youths with disabilities to help provide savings for their long-term financial needs and build a secure financial future. The RDSP funds held totaling \$18,600 (\$18,600 in 2024) are restricted.

As of March 31, 2025, no individual RDSP account has been set up in a similar way to the RESPs for Crown Wards.

8. 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 credit spread of 5.275%. The fair value of the interest rate swap amounted to a loss of \$5,022 as of March 31, 2025 (gain of \$607 in 2024).

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 three years are as follows:

	\$
2026	738,000
Less: current portion	(738,000)
	—

The annual mortgage carrying cost, which is made up of the principal 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:

	2025	2024
	\$	\$
Tangible capital assets	6,089,115	6,798,935
Less: mortgage payable	(738,000)	(1,866,000)
	5,351,115	4,932,935

10. Deferred revenue

Deferred revenue represents externally restricted funds and amounts received by the Society for which the related expenditures have not yet been incurred as follows:

	2025	2024
	\$	\$
MCCSS - OCBE	1,057,615	1,040,285
MCU - OECT	5,458	45,593
Others	60,060	52,037
	1,123,133	1,137,915

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 \$2,607,729 in 2025 (\$2,582,422 in 2024) 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, 2024 indicates that the Plan is in a deficit position and the Plan’s December 31, 2024, financial statements indicate a net deficit of \$4.319 billion comprised of a deficit of \$2.913 billion plus an adjustment of \$1.406 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period (in 2024, a net deficit of \$7.571 billion comprised of a deficit of \$4.202 billion less an adjustment of \$3.369 billion). 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.

12. 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 2024) bearing interest at the Canadian chartered bank’s prime rate minus 0.10%; and a credit card line with a limit of \$150,000 (\$150,000 in 2024). As of March 31, 2025, nil amounts have been drawn on the revolving demand facility (nil in 2024) and the credit card line (nil in 2024).

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 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.

14. Contractual rights

The 3-year agreement with Grandview Kids (“GK”) to lease the premises within the Society’s building at 1320 Airport Boulevard, Oshawa, Ontario ended November 30, 2024. The Society continues its 3-year agreement with Durham Community Health Centre (“DCHC”), 5-year agreement with Frontenac Youth Services (“FYS”) and extended the agreement with Resources for Exceptional Children and Youth, Durham Region (“RFECY”) for 5 years. FYS, DCHC, and RFECY, have agreed to pay the Society the following minimum annual lease payments for net rent and operating costs:

	\$
2026	319,063
2027	127,082
2028	127,082
2029	105,902
2030	—
	679,130

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, 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. 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 and 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.

15. 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%. 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.