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Financial statements of  
The Children's Aid  
Society of Hamilton

March 31, 2019

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Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations and changes in fund balances	4
Statement of cash flows	5
Notes to the financial statements	6-13
Schedule of special purpose grants – Schedule 1	14

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## Independent Auditor's Report

To the Governing Board of  
The Children's Aid Society of Hamilton

### Opinion

We have audited the financial statements of The Children's Aid Society of Hamilton (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and 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 Organization as at March 31, 2019, and the results of its operations and changes in 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 Organization 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 opinion.

### Responsibilities of Management and the Board of Directors 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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 the Board of Directors 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  
May 30, 2019

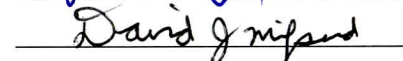
**The Children's Aid Society of Hamilton**  
**Statement of financial position**  
As at March 31, 2019

					2019	2018
		Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	Total
	Notes	\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash		—	524,574	505,705	—	1,030,279
Investments	4	—	—	2,278,815	—	2,278,815
Receivables						
Due from Province of Ontario		96,246	—	—	—	96,246
Harmonized Sales Tax receivable		770,546	—	—	—	770,546
Interfund balance		(20,472)	55,599	(35,127)	—	—
Miscellaneous		424,928	—	15,513	—	440,441
Prepays and deposits		192,295	—	—	—	192,295
		1,463,543	580,173	2,764,906	—	4,808,622
Capital assets	5	—	—	—	10,288,082	10,288,082
		1,463,543	580,173	2,764,906	10,288,082	15,096,704
<b>Liabilities</b>						
Current liabilities						
Bank indebtedness	6	721,279	—	—	—	721,279
Payables and accruals		3,775,449	—	—	—	3,775,449
RESP funds in trust	7	345,820	—	—	—	345,820
OCBE funds in trust	8	—	324,042	—	—	324,042
Bank loans	9	—	—	—	2,582,062	2,582,062
		4,842,548	324,042	—	2,582,062	7,748,652
Commitments	11					
Contingent liabilities	12					
<b>Fund balance</b>						
Equity in capital assets		—	—	—	7,706,020	7,706,020
Externally restricted funds	10	(3,379,005)	256,131	—	—	(3,122,874)
Unrestricted funds		—	—	2,764,906	—	2,764,906
		(3,379,005)	256,131	2,764,906	7,706,020	7,348,052
		1,463,543	580,173	2,764,906	10,288,082	15,096,704

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

Approved by the Board

 Director

 Director

**The Children's Aid Society of Hamilton**  
**Statement of operations and changes in fund balances**  
Year ended March 31, 2019

					2019	2018
		Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	Total
		\$	\$	\$	\$	\$
<b>Revenue</b>						
Province of Ontario						
Current funding	14	45,516,364	497,792	—	—	46,014,156
Balanced Budget Fund		—	—	—	—	—
Government of Canada						
Children's special allowance and benefits		2,445,697	—	—	—	2,445,697
Other Children's Aid Societies		550,217	—	—	—	550,217
Special purpose grants	Schedule 1	238,569	—	—	—	238,569
Interest		27,960	4,586	57,892	—	90,438
Rent		—	—	529,167	—	529,167
Donations		—	—	181,598	—	181,598
Fundraising		—	—	79,050	—	79,050
Miscellaneous		78,500	—	—	—	78,500
		<b>48,857,307</b>	<b>502,378</b>	<b>847,707</b>	<b>—</b>	<b>50,207,392</b>
<b>Expenditures</b>						
Salaries		21,994,056	—	154,676	—	22,148,732
Benefits		5,663,724	—	40,269	—	5,703,993
Boarding Payments		15,760,502	—	—	—	15,760,502
Client Personal Needs		411,321	420,525	272,151	—	1,103,997
Travel		1,283,658	—	—	—	1,283,658
Health and Related		677,496	—	—	—	677,496
Professional Services – Client		353,878	—	—	—	353,878
Transfer To OCBE Savings Accounts		—	146,119	—	—	146,119
Targeted Subsidies		1,063,980	—	—	—	1,063,980
Financial Assistance		120,390	—	—	—	120,390
Program Expenses		3,864	—	205,912	—	209,776
Training		166,197	—	—	—	166,197
Professional Services – Non-Client		156,461	—	13,482	—	169,943
Building Occupancy		759,549	—	158,400	—	917,949
Interfund Rent		—	—	(309,853)	—	(309,853)
Technology		740,638	—	—	—	740,638
Amortization of Capital Assets		—	—	—	677,669	677,669
Miscellaneous		739,330	—	—	—	739,330
Office Administration		399,701	—	—	—	399,701
Promotion and Publicity		27,471	—	—	—	27,471
Fundraising		—	—	21,961	—	21,961
Special Purpose Grants	Schedule 1	238,569	—	—	—	238,569
		<b>50,560,785</b>	<b>566,644</b>	<b>556,998</b>	<b>677,669</b>	<b>52,362,096</b>
Excess of revenue over expenditures (expenditures over revenue)		(1,703,478)	(64,266)	290,709	(677,669)	(2,154,704)
Fund balance, beginning of year	2	(1,641,929)	320,397	2,983,354	7,840,934	9,502,756
Interfund transfers		(33,598)	—	(509,157)	542,755	—
<b>Fund balance, end of year</b>		<b>(3,379,005)</b>	<b>256,131</b>	<b>2,764,906</b>	<b>7,706,020</b>	<b>9,502,756</b>

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

# The Children's Aid Society of Hamilton

## Statement of cash flows

Year ended March 31, 2019

	2019				2018
	Child Welfare Fund \$	Ontario Child Benefit Fund \$	Society Fund \$	Capital Fund \$	Total \$
<b>Operating activities</b>					
Excess of revenue over expenditures (expenditures over revenue)	(1,703,478)	(64,266)	290,709	(677,669)	(2,154,704)
Add items not involving cash					
Amortization of capital assets	—	—	—	677,669	677,669
Interfund transfers	(33,598)	—	(509,157)	542,755	—
Change in					
Due from Province of Ontario	1,649,706	—	—	—	1,649,706
Harmonized Sales Tax receivable	(477,246)	—	—	—	(477,246)
Interfund balance	53,653	(35,199)	23,835	(42,289)	(0)
Miscellaneous	(96,226)	2,331	5,271	—	(88,624)
Prepays and deposits	137,144	—	—	—	137,144
Payables and accruals	(540,808)	(10,661)	(21,096)	—	(572,565)
RESP funds in trust	140,920	—	—	—	140,920
OCBE funds in trust	—	5,523	—	—	5,523
	(869,933)	(102,272)	(210,438)	500,466	(682,177)
<b>Investing activities</b>					
Decrease (increase) in investments	—	—	333,571	—	333,571
Purchase of capital assets	—	—	—	(58,877)	(58,877)
	—	—	333,571	(58,877)	274,694
<b>Financing activity</b>					
Repayment of bank loans	—	—	—	(441,589)	(441,589)
Net (decrease) increase in cash	(869,933)	(102,272)	123,133	—	(849,072)
Cash, beginning of year	148,654	626,846	382,572	—	1,158,072
<b>Cash, end of year</b>	<b>(721,279)</b>	<b>524,574</b>	<b>505,705</b>	<b>—</b>	<b>309,000</b>
<b>Cash consists of</b>					
Cash					1,030,279
Bank indebtedness					(721,279)
					309,000

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

## **The Children's Aid Society of Hamilton**

### **Notes to the financial statements**

March 31, 2019

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#### **1. Purpose of the organization**

Funded under the Child, Youth and Family Services Act, The Children's Aid Society of Hamilton ("the Society") is committed to the protection and well-being of children, while supporting the autonomy and integrity of the family. The Society offers comprehensive child welfare services as well as ancillary programs funded through donations and grants. The Society is incorporated as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Society is exempt from tax under section 149(1) (d) of the Canadian Income Tax Act.

#### **2. Summary of significant accounting policies**

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The significant accounting policies of the Society are as follows:

##### *Fund accounting*

The Society follows the restricted fund method of accounting for contributions.

The Child Welfare Fund presents the activities carried out under the Child, Youth and Family Services Act.

The Society Fund reports the total assets, liabilities, revenues and expenses of individual funds established from time to time by the Board of Directors for specific purposes. Sources of these funds include fundraising activities of the Society as well as endowments, specific testamentary bequests and rental income.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets and the accumulated contributions and other amounts restricted for the purchase and maintenance of capital assets.

The Ontario Child Benefit Fund reports transfers to the Society, equivalent to the Ontario Child Benefit from the Province of Ontario, eligible expenses and allocations to a savings program for children in the care of Children's Aid Societies. The intent of this fund is to provide supports, including tutoring, skills building and recreational activities to these children as well as transitional assistance to those leaving care. In recognition of these transitional needs and pursuant to a Policy Directive from the Ministry of Children and Youth Services ("Ministry"), a savings program has been established to provide eligible youth with the financial skills necessary for independent living and funds to assist them with the costs of their basic needs upon leaving care. These funds are shown as held in trust and as restricted cash balances in the statement of financial position of the Society.

The fund transfers are in the normal course of operations. The fund transfer from the Child Welfare Fund to the Capital Fund was in relation to capital assets that were originally purchased by the Child Welfare Fund. The fund transfer from the Society Fund to the Capital Fund was in relation to payments made by the Society Fund towards capital assets; this was either by means of purchasing capital assets, making a down payment on a capital asset, repayment of assets acquired under capital lease or the principal payment on loans for capital assets.

##### *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the asset's estimated useful life, as described below. Amortization expense is reported in the Capital Fund.

## **2. Summary of significant accounting policies (continued)**

### *Capital assets (continued)*

<u>Capital assets</u>	<u>Useful life</u>
Land	—
Building	10-40 years
Computer equipment	3 years
Computer software	5 years
Telephone equipment	5 years
Equipment	8 years
Vehicles	7 years
Outdoor improvements	10 years

### *Revenue recognition*

Restricted contributions related to general operations are deferred and recognized as revenue of the Child Welfare Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Unrestricted contributions are recognized as revenue of the Society Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Society Fund as received. Investment income is recognized as revenue of the Society Fund on an accrual basis. Grant revenue is deferred and recognized as revenue of the Child Welfare Fund as eligible expenses are incurred.

### *Contributed services and materials*

The work of the Society is partly dependent on the voluntary services of members of the community. Donated services are not recognized in these financial statements due to the difficulty in determining their fair value.

Donated materials are recognized in the financial statements. A number of members of the community and business contribute non-cash resources to assist the Society in the fulfillment of its mandate. Donated materials which would otherwise be paid for by the Society are recorded at fair value when provided. The value of these donations-in-kind, determined using fair market values of similar type goods, amounted to \$31,244 (\$22,909 Year ended March 31, 2018) and has been included in donations on the statement of operations.

### *Use of estimates*

The preparation of 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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Significant areas requiring management estimates include amortization of capital assets and calculation of accrued liabilities.

## **2. Summary of significant accounting policies (continued)**

### *Financial instruments*

Under PS 3450 - Financial Instruments, all financial instruments, including derivatives, are included on the Statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Society's accounting policy choices. Financial instruments reported on the Statement of financial position of the Society are classified as follows:

Financial instrument	Classification
Cash	Amortized cost
Investments	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost
Province of Ontario advances	Amortized cost
Funds in trust	Amortized cost
Bank indebtedness	Amortized cost
Bank loans	Amortized cost

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and liabilities at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect or recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Statement of operations.

## **3. Contracts with Ministry of Children, Community and Social Services**

The Society has service contracts with the Ministry of Children, Community and Social Services. One requirement of the contracts is the preparation of a Transfer Payment Annual Reconciliation (TPAR), which shows a summary by service of all revenues and expenses and any resulting surplus or deficit that relates to the contract, prepared in accordance with Ministry guidelines. The surplus (deficit) for Ministry reporting will differ from the Child Welfare Fund surplus (deficit) position due to timing differences. The excess of expenditures over revenue in the Child Welfare Fund, after the transfer to the Capital Fund, is \$1,737,076 (\$1,120,403 Year ended March 31, 2018). The deficit for Ministry reporting is \$2,032,079 (\$1,038,372 Year ended March 31, 2018).

## **4. Investments**

Investments consist of guaranteed investment certificates and term deposits with Canadian chartered banks in the amount of \$2,227,393 (\$2,509,725 Year ended March 31, 2018) and \$51,422 (\$102,661 Year ended March 31, 2018) respectively. Maturity dates range from April 2, 2019 to April 4, 2022 and interest rates are between 1.70% and 2.25%.

## 5. Capital assets

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,806,250	—	1,806,250
Building	12,392,126	4,186,362	8,205,764
Computer equipment	1,374,403	1,372,176	2,227
Computer software	329,975	175,214	154,761
Telephone equipment	257,709	224,584	33,125
Equipment	748,794	665,679	83,115
Vehicles	125,607	125,607	—
Outdoor improvements	554,155	551,315	2,840
	<b>17,589,019</b>	<b>7,300,937</b>	<b>10,288,082</b>

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,806,250	—	1,806,250
Building	12,365,769	3,859,749	8,506,020
Computer equipment	1,865,840	1,692,439	173,401
Computer software	654,413	396,249	258,164
Telephone equipment	257,709	208,021	49,688
Equipment	798,252	690,580	107,672
Vehicles	125,607	125,607	—
Outdoor improvements	554,155	548,467	5,679
	<b>18,427,995</b>	<b>7,521,121</b>	<b>10,906,874</b>

During the year, fully depreciated assets with a cost of \$897,853 were written off as the assets are no longer in use.

## 6. Bank indebtedness

At year end, the Society accessed its line of credit. The line is due on demand, with interest at prime and has a limit of \$1,750,000.

## 7. RESP funds in trust

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. During 2019, \$233,240 (\$306,020 Year ended March 31, 2018) was transferred to the RESP provider for deposit to the individual plans of children. At the end of 2019, the agency is the sponsor for 542 RESP's (499 Year ended March 31, 2018), with total contributions of \$2,202,979 (\$1,981,146 Year ended March 31, 2018), not including government grants. Individual RESPs are not included in the financial statements of the Society.

**7. RESP funds in trust (continued)**

The untransferred funds totaling \$345,820 (\$204,900 Year ended March 31, 2018) are restricted, and are held in trust until a RESP is established for each qualifying child. These amounts are included in cash in the Child Welfare Fund.

**8. OCBE funds in trust**

Ontario Child Benefit Equivalent ("OCBE") funds in trust represents savings payable to youth in care. During the year \$146,119 (\$151,368 Year ended March 31, 2018) was transferred to children's savings accounts. Savings are contributed for eligible youth to provide them with funds to assist with costs of basic needs upon leaving care. These funds are included in cash in the Ontario Child Benefit Fund.

**9. Bank loans**

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Demand instalment loan with CIBC, fixed interest rate of 3.85%, repayable in monthly amounts of \$27,771 including interest, maturing in 2023	<b>1,849,152</b>	2,090,373
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,149 plus interest, maturing in 2023	—	67,960
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,282 plus interest, maturing in 2020	<b>26,783</b>	42,167
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,163 plus interest, maturing in 2020	<b>23,806</b>	37,762
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,389 plus interest, maturing in 2023	<b>65,263</b>	81,931
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,280 plus interest, maturing in 2024	<b>81,520</b>	96,880
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,445 plus interest, maturing in 2025	<b>109,720</b>	127,060
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,334 plus interest, maturing in 2025	<b>101,264</b>	117,272
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,585 plus interest, maturing in 2027	<b>155,030</b>	174,050
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,556 plus interest, maturing in 2028	<b>169,524</b>	188,196
	<b>2,582,062</b>	<b>3,023,651</b>

## The Children's Aid Society of Hamilton

### Notes to the financial statements

March 31, 2019

#### 9. Bank loans (continued)

As security for these loans, the Society has provided a collateral mortgage in the amount of \$5 million over the property located at 26 Arrowsmith, Hamilton; \$212,500 over the property located at 45 Loneoak Cr, Hamilton; \$190,000 over the property located at 94 Green Rd, Hamilton; \$250,000 over the real property located at 1580 Highway #56, Hamilton, \$230,000 over the real property located at 7 Barnett Court, Hamilton; \$260,000 over the property located at 20 Hardale Crescent, Hamilton; \$240,000 over the property located at 359 Limeridge Road East, Hamilton; \$285,000 over the property located at 42 Philipo Drive, Hamilton; and \$280,000 over the property located at 35 Capilano Drive, Hamilton.

Scheduled principal repayments are as follows:

	\$
2020	399,317
2021	401,658
2022	391,248
2023	401,102
2024	803,679
Thereafter	185,058
	<u>2,582,062</u>

Interest totaling \$104,220 (\$123,949 Year ended March 31, 2018) has been recorded in the statement of operations and changes in fund balances in respect of the bank loans.

#### 10. Externally restricted funds

The amounts contributed to, and earned by these funds are restricted by the contributor as to their use.

	2019 \$	2018 \$
Child Welfare Fund	(3,379,005)	(1,641,929)
Ontario Child Benefit Fund	256,131	320,397
	<u>(3,122,874)</u>	<u>(1,321,532)</u>

In addition to these restrictions and those described in Note 2, the Ministry of Children and Youth Services imposes capital restrictions on the Society. Among the terms and conditions for financial assistance for building projects is an agreement to obtain written Ministerial approval prior to any sale of the related land and building. Further, as a condition of such approval, the Minister may share a portion of the proceeds. The Ministry of Children and Youth Services has an interest in the Society's property at 26 Arrowsmith Road, Hamilton, Ontario, proportional to its contribution to initial principal and subsequent subsidies for mortgage payments.

#### 11. Commitments

##### a) Pension agreements

The Children's Aid Society of Hamilton makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. 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.

## **11. Commitments (continued)**

### *a) Pension agreements (continued)*

Commencing January 1, 2013, contribution rates ranged from 9.0% to 14.6% depending on the level of earnings. Expenses for 2019 include \$2,124,604 for contributions to March 31, 2019 (\$2,121,787 Year ended March 31, 2018) which are included in the statement of operations.

### *b) Lease commitments*

The Society has entered into leasing agreements for various items of office equipment with expiry dates ranging from 2019 to 2022. Future lease payments aggregate \$236,596 and include the following scheduled amounts payable:

	\$
2020	174,600
2021	57,165
2022	4,831
	<u>236,596</u>

## **12. Contingent liabilities**

- a) In the normal course of business, the Society is involved in various claims. Though the outcome of these various pending claims as at March 31, 2019 cannot be determined with certainty, the Society believes that their outcome will have no significant adverse impact on its financial position, operating results or cash flows.
- b) The Society has provided a demand credit for a standby letter of credit for \$800,000. This letter of credit is a guarantee for ADP, the third party payroll provider.

## **13. Financial instruments and risk management**

### *Fair value*

The carrying value of cash, investments, receivables, payables and accruals, Province of Ontario advances and funds in trust approximates their fair value because of the relatively short period to maturity of the instruments. The fair value of the bank loans is not materially different from their carrying values as it bears interest at variable or fixed rates and has financing conditions similar to these currently available to the Society.

### *Interest rate risk*

Interest rate risk is the risk to the Society's excess of revenues over expenses that arises from fluctuations in interest rates and the degree of volatility of these rates. The Society is subject to interest rate risk due to changes to the prime rate since the majority of its borrowings bear variable interest rates. The Society does not use derivative instruments to reduce its exposure to interest rate risk.

### **13. Financial instruments and risk management (continued)**

#### *Credit risk*

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Society is exposed to credit risk on its receivables. As at March 31, 2019 and March 31, 2018, the Society had no allowance for doubtful accounts.

#### *Liquidity risk*

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. Liquidity risk arises from current liabilities and deficits. The Society mitigates liquidity risk by monitoring cash activities through detailed budgeting analysis and obtaining cash flow advances from the Ministry when required.

Other than an increase to liquidity risk due to the compounding deficits from the prior and current year, there have been no significant changes from the previous year in the exposure to any other type of risk or policies, procedures and methods used to measure the related risk.

### **14. Balanced Budget Fund**

During 2014, the Ministry announced the creation of the Balanced Budget Fund to support Children's Aid Societies in meeting their balanced budget obligations and to assist them in managing the risks associated with a multi-year budget planning process. Any funding received in excess of expenses incurred, is required to be repaid to the Ministry. The Balance Budget Fund is developed on an individual Society basis and consists of surpluses that have been returned to the Ministry subsequent to the implementation of the new funding model in 2014. Individual societies may access their balances according to the Balanced Budget Fund guidelines developed by the Ministry. The surpluses returned to the Ministry and put into the Balanced Budget Fund expire after a three year period.

In 2017, the Ministry approved the Society to access \$1,245,776 from the Society's Balanced Budget Fund.

In 2018, the Ministry approved the Society to access \$1,595,360 from the Society's Balanced Budget Fund. As of April 1, 2019 there are no funds remaining in the Balanced Budget Fund.

Fiscal year	Contributions (Withdrawals) \$	Expiry	Balance as of fiscal year end \$
2013/14	1,245,776	March 31, 2017	1,245,776
2014/15	962,637	March 31, 2018	2,208,413
2015/16	632,723	March 31, 2019	2,841,136
2016/17	(1,245,776)		1,595,360
2017/18	(1,595,360)		—

### **15. Comparative figures**

Certain figures for 2018 have been reclassified to conform to the presentation adopted in 2019.

**The Children's Aid Society of Hamilton**

**Schedule 1 – Schedule of revenues and expenditures – special purpose grants**

Year ended March 31, 2019

	2019				2018	
	Preparation for Independence \$	Community Capacity \$	Wendy's Wonderful Kids \$	Education Liaison \$	Total \$	Total \$
<b>Revenue</b>						
Grants						
Dave Thomas Foundation	—	—	85,000	—	85,000	85,000
Province of Ontario	43,492	10,500	—	75,502	129,494	99,392
Recoveries	—	—	24,075	—	24,075	31,115
	43,492	10,500	109,075	75,502	238,569	215,507
<b>Expenditures</b>						
Salaries	43,492	—	82,390	36,268	162,150	127,388
Benefits	—	—	22,829	7,172	30,001	26,156
Travel	—	—	3,856	752	4,608	6,063
Building occupancy	—	—	—	—	—	25,000
Purchased services – non-client	—	—	—	—	—	10,500
Purchased services – client	—	10,500	—	31,310	41,810	20,400
	43,492	10,500	109,075	75,502	238,569	215,507