
Financial statements of
The Children's Aid
Society of Hamilton

March 31, 2020

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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, 2020, 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, 2020, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 28, 2020

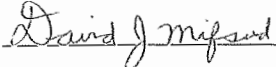
The Children's Aid Society of Hamilton
Statement of financial position
As at March 31, 2020

						2020	2019
		Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	Total	Total
Notes		\$	\$	\$	\$	\$	\$
Assets							
Current assets							
		735,749	563,289	338,333	—	1,637,371	1,030,279
	4	—	—	2,054,786	—	2,054,786	2,278,815
Receivables							
		—	—	—	—	—	96,246
		227,210	—	4,404	—	231,614	770,546
		43,753	(1,145)	(42,608)	—	—	—
		283,317	—	—	—	283,317	440,441
		286,232	—	13,762	—	299,994	192,295
		1,576,261	562,144	2,368,677	—	4,507,082	4,808,622
Capital assets							
	5	—	—	—	10,125,919	10,125,919	10,288,082
		1,576,261	562,144	2,368,677	10,125,919	14,633,001	15,096,704
Liabilities							
Current liabilities							
	6	—	—	—	—	—	721,279
		3,511,037	—	4,459	—	3,515,496	3,775,449
		983,344	—	—	—	983,344	—
	7	428,797	—	—	—	428,797	345,820
	8	—	266,300	—	—	266,300	324,042
	9	—	—	—	2,182,760	2,182,760	2,582,062
		4,923,178	266,300	4,459	2,182,760	7,376,697	7,748,652
Commitments							
	11						
Contingent liabilities							
	12						
Fund balance							
		—	—	—	7,943,159	7,943,159	7,706,020
	10	(3,346,917)	295,844	96,649	—	(2,954,424)	(3,020,225)
		—	—	2,267,569	—	2,267,569	2,662,257
		(3,346,917)	295,844	2,364,218	7,943,159	7,256,304	7,348,052
		1,576,261	562,144	2,368,677	10,125,919	14,633,001	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, 2020

					2020	2019
	Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	Total	Total
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Province of Ontario						
Current funding	46,125,265	440,846	—	—	46,566,111	46,014,156
Expense recoveries	342,336	—	—	—	342,336	—
Government of Canada						
Children's special allowance and benefits	1,889,747	—	—	—	1,889,747	2,445,697
Other Children's Aid Societies	546,205	—	—	—	546,205	550,217
Special purpose grants	231,116	—	—	—	231,116	238,569
Interest	39,688	5,063	55,348	—	100,099	90,438
Rent	58,400	—	442,115	—	500,515	529,167
Donations	—	—	206,715	—	206,715	181,598
Fundraising	—	—	—	—	—	79,050
Miscellaneous	74,523	—	14,683	—	89,206	78,500
	49,307,280	445,909	718,861	—	50,472,050	50,207,392
Expenditures						
Salaries	20,344,811	—	193,005	—	20,537,816	22,148,732
Benefits	6,009,851	—	48,437	—	6,058,288	5,703,993
Boarding payments	13,832,376	—	—	—	13,832,376	15,760,502
Client personal needs	336,988	287,406	244,855	—	869,249	1,103,997
Travel	1,124,211	—	—	—	1,124,211	1,283,658
Health and related	634,182	—	—	—	634,182	677,496
Professional services – client	260,883	—	—	—	260,883	353,878
Transfer To OCBE Savings Accounts	—	118,790	—	—	118,790	146,119
Targeted subsidies	1,166,445	—	—	—	1,166,445	1,063,980
Financial assistance	301,698	—	—	—	301,698	120,390
Program expenses	4,156	—	392,011	—	396,167	209,776
Training	194,277	—	—	—	194,277	166,197
Professional services – non-client	166,210	—	13,740	—	179,950	169,943
Building occupancy	498,756	—	81,062	—	579,818	608,096
Technology	619,741	—	—	—	619,741	740,638
Amortization of capital assets	—	—	—	536,790	536,790	677,669
Miscellaneous	754,069	—	6,797	—	760,866	739,330
Office administration	322,691	—	—	—	322,691	399,701
Promotion and publicity	18,509	—	—	—	18,509	27,471
Fundraising	—	—	—	—	—	21,961
Special purpose grants	231,116	—	—	—	231,116	238,569
	46,820,970	406,196	979,907	536,790	48,743,863	52,362,096
Excess of revenue over expenditures (expenditures over revenue) before undernoted	2,486,310	39,713	(261,046)	(536,790)	1,728,187	(2,154,704)
Less due to Province of Ontario						
Balanced budget fund	(1,819,935)	—	—	—	(1,819,935)	—
Excess of revenue over expenditures (expenditures over revenue)	666,375	39,713	(261,046)	(536,790)	(91,748)	(2,154,704)
Fund balance, beginning of year	(3,379,005)	256,131	2,764,906	7,706,020	7,348,052	9,502,756
Interfund transfers	(634,287)	—	(139,642)	773,929	—	—
Fund balance, end of year	(3,346,917)	295,844	2,364,218	7,943,159	7,256,304	7,348,052

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, 2020

					2020	2019
	Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Operating activities						
Excess of revenue over expenditures (expenditures over revenue)	666,375	39,713	(261,046)	(536,790)	(91,748)	(2,154,704)
Add items not involving cash						
Amortization of capital assets	—	—	—	536,790	536,790	677,669
Interfund transfers	(634,287)	—	(139,642)	773,929	—	—
Change in						
Due from Province of Ontario	1,079,590	—	—	—	1,079,590	1,649,706
Harmonized Sales Tax receivable	543,336	—	(4,404)	—	538,932	(477,246)
Interfund balance	(64,225)	56,744	7,481	—	—	—
Miscellaneous	141,611	—	15,513	—	157,124	(88,624)
Prepays and deposits	(93,937)	—	(13,762)	—	(107,699)	137,144
Payables and accruals	(264,412)	—	4,459	—	(259,953)	(572,565)
RESP funds in trust	82,977	—	—	—	82,977	140,920
OCBE funds in trust	—	(57,742)	—	—	(57,742)	5,523
	1,457,028	38,715	(391,401)	773,929	1,878,271	(682,177)
Investing activities						
Decrease in investments	—	—	224,029	—	224,029	333,571
Purchase of capital assets	—	—	—	(374,627)	(374,627)	(58,877)
	—	—	224,029	(374,627)	(150,598)	274,694
Financing activity						
Repayment of bank loans	—	—	—	(399,302)	(399,302)	(441,589)
Net increase (decrease) in cash	1,457,028	38,715	(167,372)	—	1,328,371	(849,072)
Cash, beginning of year	(721,279)	524,574	505,705	—	309,000	1,158,072
Cash, end of year	735,749	563,289	338,333	—	1,637,371	309,000
Cash consists of						
Cash					1,637,371	1,030,279
Bank indebtedness					—	(721,279)
					1,637,371	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, 2020

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. These revenues are produced from non-Ministry funded sources and are defined as retainable revenue and therefore are not included in the Child Welfare Fund. The Society Fund holds houses purchased from donated funds, which are rented to an unrelated entity who uses the houses to operate therapeutic foster homes. All expenses related to these assets are included in the Society Fund expenses.

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 and for principal payments made by the Child Welfare Fund on a loan for capital assets. 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.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

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.

<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 \$36,771 (\$31,244 in 2019) and has been included in donations on the statement of operations.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

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.

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:

<u>Financial instrument</u>	<u>Classification</u>
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 revenues over expenditures in the Child Welfare Fund, after the transfer to the Capital Fund, is \$32,088 (\$1,737,076 in 2019). The surplus for Ministry reporting is \$1,819,935 (deficit of \$2,032,079 in 2019) which is required to be placed into the Balanced Budget Fund (note 14) so that the Child Welfare fund is in a balanced position for Ministry reporting.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

4. Investments

Investments consist of guaranteed investment certificates and term deposits with Canadian chartered banks in the amount of \$2,054,786 (\$2,227,393 in 2019) and \$nil (\$51,422 in 2019) respectively. Maturity dates range from March 31, 2021 to April 4, 2022 and interest rates are between 1.60% and 2.25%.

5. Capital assets

			2020
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,806,250	—	1,806,250
Building	12,399,361	4,513,699	7,885,662
Computer equipment	1,636,738	1,461,848	174,890
Computer software	414,944	258,203	156,741
Telephone equipment	265,431	242,691	22,740
Equipment	761,162	681,526	79,636
Vehicles	79,255	79,255	—
Outdoor improvements	554,155	554,155	—
	17,917,296	7,791,377	10,125,919

			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
	17,589,019	7,300,937	10,288,082

During the year, fully depreciated assets with a cost of \$46,350 (\$897,853 in 2019) were written off as the assets are no longer in use.

6. Bank indebtedness

At year end, the Society had \$nil (\$721,279 in 2019) owing on its line of credit. The line is due on demand, with interest at prime and has a limit of \$1,750,000.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

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. These funds are held until eligibility conditions are met.

The untransferred funds totaling \$428,797 (\$345,820 in 2019) 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.

During 2020, \$323,060 (\$233,240 in 2019) was transferred to the RESP provider for deposit to the individual plans of children. At the end of 2020, the agency is the sponsor for 547 RESP's (542 in 2019), with total contributions of \$2,352,926 (\$2,202,979 in 2019), not including government grants. Individual RESPs are not included in the financial statements of the Society.

8. OCBE funds in trust

Ontario Child Benefit Equivalent ("OCBE") funds in trust represents savings payable to youth in care. During the year, \$118,790 (\$146,119 in 2019) 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

	2020	2019
	\$	\$
Demand instalment loan with CIBC, fixed interest rate of 3.84%, repayable in monthly amounts of \$27,771 including interest, maturing at 2023	1,582,258	1,849,152
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,282 plus interest, maturing at 2020	11,399	26,783
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,163 plus interest, maturing at 2020	9,850	23,806
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,389 plus interest, maturing in 2023	48,595	65,263
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,280 plus interest, maturing in 2024	66,160	81,520
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,445 plus interest, maturing in 2025	92,380	109,720
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,334 plus interest, maturing in 2025	85,256	101,264
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,585 plus interest, maturing in 2027	136,010	155,030
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,556 plus interest, maturing in 2027	150,852	169,524
	2,182,760	2,582,062

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

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:

	\$
2021	401,658
2022	391,248
2023	401,102
2024	803,694
2025	75,760
Thereafter	<u>109,298</u>
	<u>2,182,760</u>

Interest totaling \$97,976 (\$104,220 in 2019) 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.

	2020	2019
	\$	\$
Child Welfare Fund	(3,346,918)	(3,379,005)
Ontario Child Benefit Fund	295,844	256,131
Society Fund	96,649	102,649
	<u>(2,954,425)</u>	<u>(3,020,225)</u>

In addition to these restrictions and those described in Note 2, the Ministry of Children Community and Social 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, Community and Social 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 Society 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.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

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 2020 include \$2,032,045 for contributions to March 31, 2020 (\$2,124,604 in 2019) 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 2020 to 2022. Future lease payments aggregate \$166,505 and include the following scheduled amounts payable:

	\$
2021	138,432
2022	28,073
	<u>166,505</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, 2020 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.

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, 2020 and March 31, 2019, the Society had no allowance for doubtful accounts.

13. Financial instruments and risk management (continued)

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. During the current year, liquidity risk has decreased as the Society is in a surplus position for the current year.

Other than a decrease to liquidity risk due to returning to a surplus position, 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.

As of April 1, 2019 there were no funds remaining in the Balanced Budget Fund.

In 2020, the surplus for Ministry reporting of \$1,819,935 will be added to the Balanced Budget Fund. The Society can request to have the Balanced Budget Fund applied to the historical debt before the expiry date. This would reduce the Fund Balance in the Child Welfare Fund from a deficit of \$3,346,917 to a deficit of \$1,526,982.

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)		—
2019/20	1,819,935	March 31, 2023	1,819,935

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2020

15. COVID-19

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Society in future periods.

In response to the emergency declaration in Ontario related to COVID-19, additional costs were incurred by the Society. These costs are included in the Child Welfare Fund in the Statement of operations and changes in fund balances.

	2020
	\$
Salaries	705
Boarding Payments	15,900
Client Personal Needs	2,857
Professional Services - Client	6,960
Financial Assistance	71,665
Building Occupancy	279
Technology	4,864
	103,230

16. Comparative figures

Certain figures for 2019 have been reclassified to conform to the presentation adopted in 2020.

The Children's Aid Society of Hamilton

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

Year ended March 31, 2020

	2020			2019	
	Preparation for Independence \$	Wendy's Wonderful Kids \$	Education Liaison \$	Total \$	Total \$
Revenue					
Grants					
Dave Thomas Foundation	—	85,000	—	85,000	85,000
Province of Ontario	43,492	—	73,257	116,749	129,494
Recoveries	—	29,367	—	29,367	24,075
	43,492	114,367	73,257	231,116	238,569
Expenditures					
Salaries	43,492	84,135	55,301	182,928	162,150
Benefits	—	24,317	7,627	31,944	30,001
Travel	—	5,915	1,553	7,468	4,608
Purchased services – client	—	—	8,776	8,776	41,810
	43,492	114,367	73,257	231,116	238,569

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