
Financial statements of
The Children's Aid
Society of Hamilton

March 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Children's Aid Society of Hamilton

Opinion

We have audited the financial statements of Children's Aid Society of Hamilton (the "Society"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets, 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, 2021, and the results of its operations 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 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.

Other Matter

The financial statements of Children's Aid Society of Hamilton as at and for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on May 28, 2020.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2021

The Children's Aid Society of Hamilton
Statement of financial position

As at March 31, 2021

	Notes	Child Welfare Fund \$	Ontario Child Benefit Fund \$	Society Fund \$	Capital Fund \$	2021 Total \$	2020 Total \$
Assets							
Current assets							
Cash		3,489,202	567,080	516,570	—	4,572,852	1,637,371
Investments	4 & 9	139,062	—	2,242,051	—	2,381,113	2,054,786
Receivables				-			
Harmonized Sales Tax receivable		212,011	—	-	—	212,011	231,614
Interfund balance		183,668	46,507	(230,175)	—	—	—
Miscellaneous		223,636	—	-	—	223,636	283,317
Prepays and deposits		247,602	—	21,250	—	268,852	299,994
		4,495,181	613,587	2,549,696	—	7,658,464	4,507,082
Capital assets	5	—	—	—	9,755,342	9,755,342	10,125,919
		4,495,181	613,587	2,549,696	9,755,342	17,413,806	14,633,001
Liabilities							
Current liabilities							
Payables and accruals		3,840,413	—	5,187	—	3,845,600	3,515,496
Due to Province of Ontario		354,786	—	—	—	354,786	983,344
RESP funds in trust	7	469,139	—	—	—	469,139	428,797
OCBE funds in trust	8	—	264,596	—	—	264,596	266,300
Legal defense funds in trust	9	139,062	—	—	—	139,062	—
Bank loans	10	—	—	—	1,427,287	1,427,287	2,182,760
		4,803,400	264,596	5,187	1,427,287	6,500,470	7,376,697
Commitments	12						
Contingent liabilities	13						
Fund balance							
Equity in capital assets		—	—	—	8,328,055	8,328,055	7,943,159
Externally restricted funds	11	(308,219)	348,991	90,649	—	131,421	(2,954,424)
Unrestricted funds		—	—	2,453,860	—	2,453,860	2,267,569
		(308,219)	348,991	2,544,509	8,328,055	10,913,336	7,256,304
		4,495,181	613,587	2,549,696	9,755,342	17,413,806	14,633,001

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, 2021

	Notes	Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	2021 Total	2020 Total
		\$	\$	\$	\$	\$	\$
Revenue							
Province of Ontario							
Current funding		46,706,888	348,019	—	80,400	47,135,307	46,566,111
Payment for historical deficit		1,327,362	—	—	—	1,327,362	—
Expense recoveries		528,804	—	—	—	528,804	342,336
Government of Canada						—	
Children's special allowance and benefits		1,597,147	—	—	—	1,597,147	1,889,747
Other Children's Aid Societies		452,633	—	—	—	452,633	546,205
Interest		21,822	1,872	41,134	—	64,828	100,099
Rent		60,184	—	292,500	—	352,684	500,515
Donations		—	—	214,633	—	214,633	206,715
Gain on sale of capital assets		—	—	—	377,468	377,468	—
Miscellaneous		68,551	—	43,333	—	111,884	89,206
Special purpose grants	Schedule 1	553,960	—	—	—	553,960	231,116
		51,317,351	349,891	591,600	457,868	52,716,710	50,472,050
Expenditures							
Salaries		20,769,044	—	103,025	—	20,872,069	20,537,816
Benefits		6,046,636	—	37,122	—	6,083,758	6,058,288
Boarding payments		12,094,012	—	—	—	12,094,012	13,832,376
Client personal needs		388,219	196,976	205,973	—	791,168	869,249
Travel		448,192	—	—	—	448,192	1,124,211
Health and related		470,469	—	—	—	470,469	634,182
Professional services – client		623,930	—	—	—	623,930	260,883
Transfer To OCBE Savings Accounts		—	99,768	—	—	99,768	118,790
Targeted subsidies		1,321,695	—	—	—	1,321,695	1,166,445
Financial assistance		377,251	—	—	—	377,251	301,698
Program expenses		8,606	—	171,586	—	180,192	396,167
Training		183,624	—	—	—	183,624	194,277
Professional services – non-client		230,364	—	—	—	230,364	179,950
Building occupancy		469,914	—	82,274	—	552,188	579,818
Technology		467,807	—	—	—	467,807	619,741
Amortization of capital assets		—	—	—	647,243	647,243	536,790
Miscellaneous		820,730	—	4,191	—	824,921	760,866
Office administration		315,396	—	—	—	315,396	322,691
Promotion and publicity		36,732	—	—	—	36,732	18,509
Special purpose grants	Schedule 1	553,960	—	—	—	553,960	231,116
		45,626,581	296,744	604,171	647,243	47,174,739	48,743,863
Excess of revenue over expenditures (expenditures over revenue) before undernoted		5,690,770	53,147	(12,571)	(189,375)	5,541,971	1,728,187
Less due to Province of Ontario Balanced budget fund	15	(1,884,939)	—	—	—	(1,884,939)	(1,819,935)
Excess of revenue over expenditures (expenditures over revenue)		3,805,831	53,147	(12,571)	(189,375)	3,657,032	(91,748)
Fund balance, beginning of year		(3,346,917)	295,844	2,364,218	7,943,159	7,256,304	7,348,052
Interfund transfers	2	(767,133)	—	192,862	574,271	—	—
Fund balance, end of year		(308,219)	348,991	2,544,509	8,328,055	10,913,336	7,256,304

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, 2021

	Child Welfare Fund	Ontario Child Benefit Fund	Society Fund	Capital Fund	2021 Total	2020 Total
	\$	\$	\$	\$	\$	\$
Operating activities						
Excess of revenue over expenditures (expenditures over revenue)	3,805,832	53,147	(12,571)	(189,375)	3,657,033	(91,748)
Add items not involving cash						
Amortization of capital assets	—	—	—	647,243	647,243	536,790
Gain on sale of capital assets	—	—	—	(377,468)	(377,468)	—
Interfund transfers	(767,133)	—	192,862	574,271	—	—
Change in						
Due from Province of Ontario	(628,558)	—	—	—	(628,558)	1,079,590
Harmonized Sales Tax receivable	15,198	—	4,404	—	19,602	538,932
Interfund balance	(139,915)	(47,652)	187,568	—	—	—
Miscellaneous	59,681	—	—	—	59,681	157,124
Prepays and deposits	38,630	—	(7,488)	—	31,142	(107,699)
Payables and accruals	329,376	—	728	—	330,103	(259,953)
RESP funds in trust	40,342	—	—	—	40,342	82,977
OCBE funds in trust	—	(1,704)	—	—	(1,704)	(57,742)
Legal defense funds in trust	139,062	—	—	—	139,062	—
	2,892,515	3,791	365,502	654,671	3,916,479	1,878,271
Investing activities						
Increase in investments	(139,062)	—	(187,265)	—	(326,327)	224,029
Proceeds from sale	—	—	—	690,081	690,081	—
Purchase of capital assets	—	—	—	(589,279)	(589,279)	(374,627)
	(139,062)	—	(187,265)	100,802	(225,525)	(150,598)
Financing activity						
Repayment of bank loans	—	—	—	(755,473)	(755,473)	(399,302)
Net increase (decrease) in cash	2,753,453	3,791	178,237	—	2,935,481	1,328,371
Cash, beginning of year	735,749	563,289	338,333	—	1,637,371	309,000
Cash, end of year	3,489,202	567,080	516,570	—	4,572,852	1,637,371
Cash consists of						
Cash					4,572,852	1,637,371
Bank indebtedness					—	—
					4,572,852	1,637,371

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, 2021

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 Capital Fund to the Society Fund was in relation to the gain on sale of capital assets offset by 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, 2021

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
<u>Outdoor improvements</u>	<u>10 years</u>

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 \$10,700 (\$36,771 in 2020) 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, 2021

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 differences in reporting requirements, resulting in timing differences. The excess of revenues over expenditures in the Child Welfare Fund, after the transfer to the Capital Fund, is \$3,038,698 (\$32,088 in 2020). The surplus for Ministry reporting is \$4,955,390 (surplus of \$1,819,935 in 2020). The Ministry reported surplus will be used towards outstanding historical debt (\$3,070,451) and then the remaining surplus of \$1,884,939 will be returned to the Ministry, with a portion placed into the Society's Balanced Budget Fund (Note 15).

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2021

4. Investments

Investments consist of guaranteed investment certificates and term deposits with Canadian chartered banks in the amount of \$2,200,749 (\$2,054,786 in 2020) and \$180,364 (\$nil in 2020) respectively. Funds for the new Legal Defense Fund (\$139,062) are recorded as investments in the operating fund. Maturity dates range from March 24, 2022 to April 4, 2022 and interest rates are between 0.5% and 2.18%.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value
	\$	\$	\$
Land	1,686,250	—	1,686,250
Building	12,291,396	4,748,324	7,543,072
Computer equipment	1,625,926	1,341,020	284,906
Computer software	486,419	357,136	129,283
Equipment	761,162	697,373	63,789
Vehicles	93,736	45,694	48,042
Outdoor improvements	554,155	554,155	—
	17,499,044	7,743,702	9,755,342

	Cost	Accumulated amortization	2020 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

During the year, fully depreciated assets with a cost of \$565,485 (\$46,350 in 2020) were written off as the assets are no longer in use.

6. Bank indebtedness

At year end, the Society had \$nil (\$nil in 2020) 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, 2021

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 \$469,139 (\$428,797 in 2020) 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 2021, \$218,840 (\$323,060 in 2020) was transferred to the RESP provider for deposit to the individual plans of children. At the end of 2021, the agency is the sponsor for 515 RESP's (547 in 2020), with total contributions of \$2,380,479 (\$2,352,926 in 2020), 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, \$99,768 (\$118,790 in 2020) 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. Legal defense funds in trust

During the year, the Foster Family Association of The Children's Aid Society of Hamilton transferred funds to the Society. These funds are restricted funds and represent voluntary contributions by some foster families between 1997 and 2007. The purpose of the fund is to assist contributing foster parents with legal costs resulting from a serious allegation, civil action or criminal charge related to fostering children during the time members were contributing to the fund. The funds have been invested in guaranteed investment certificates and are presented in investments in the financial statements of the Society in the operating fund. During the year there have been no withdrawals from the fund.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2021

10. Bank loans

	2021 \$	2020 \$
Demand instalment loan with CIBC, fixed interest rate of 3.84%, repayable in monthly amounts of \$27,771 including interest, maturing at 2023	1,307,239	1,582,258
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
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
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
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,280 plus interest, maturing in 2024	50,800	66,160
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
Demand instalment loan with CIBC, interest rate of prime plus .75%, repayable in monthly amounts of \$1,334 plus interest, maturing in 2025	69,248	85,256
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
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
	1,427,287	2,182,760

During the year, six of the loans were paid in full.

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, \$230,000 over the real property located at 7 Barnett Court, Hamilton, and \$240,000 over the property located at 359 Limeridge Road East, Hamilton.

Scheduled principal repayments are as follows:

	\$
2022	319,548
2023	330,811
2024	750,984
2025	20,728
2026	5,216
	1,427,287

Interest totaling \$70,571 (\$97,976 in 2020) has been recorded in the statement of operations in respect of the bank loans.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2021

11. Externally restricted funds

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

	2021	2020
	\$	\$
Child Welfare Fund	(308,219)	(3,346,917)
Ontario Child Benefit Fund	348,991	295,844
Society Fund	90,649	96,649
	131,421	(2,954,424)

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.

12. 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.

Commencing January 1, 2013, contribution rates ranged from 9.0% to 14.6% depending on the level of earnings. Expenses for 2021 include \$2,063,692 for contributions to March 31, 2021 (\$2,032,045 in 2020) 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 2022 to 2026. Future lease payments aggregate \$118,906 and include the following scheduled amounts payable:

	\$
2022	46,709
2023	18,774
2024	18,774
2025	18,774
2026 and thereafter	15,875

13. 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, 2021 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.

14. 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, 2021 and March 31, 2020, 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.

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.

15. 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. Returned surpluses may be added to the Society's Balanced Budget Fund. In 2021 the Ministry stated that surpluses generated by agencies with historical debt must be used solely for the reduction of accumulated deficit, until such time that the historical accumulated deficit has been cleared. Once all historical accumulated deficits are repaid, fifty percent of the surplus will be contributed to a Ministry managed Balanced Budget Fund and fifty percent will be contributed to the individual Society's Balanced Budget Fund.

The Children's Aid Society of Hamilton

Notes to the financial statements

March 31, 2021

15. Balanced Budget Fund (continued)

Individual societies may access their balances according to the Balanced Budget Fund guidelines developed by the Ministry. The amounts contributed to the Balanced Budget Fund expire after a three year period. Amounts that expire will be added to the Ministry managed Balanced Budget Fund.

In 2020, the surplus for Ministry reporting of \$1,819,935 was added to the Society's Balanced Budget Fund.

In 2021, the surplus for Ministry reporting is \$4,955,390. The surplus will be used to reduce the accumulated historical debt of \$3,070,451 and the remaining \$1,884,939 is required to be repaid to the Ministry. Of this amount, fifty percent or \$942,470 will be contributed to the Society's 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)		—
2019/20	1,819,935	March 31, 2023	1,819,935
2020/21	942,470	March 31, 2024	2,762,405

16. 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.

17. Subsequent Events

Subsequent to year end, two properties held by the Society were sold. The sale resulted in a gain on sale of \$1,148,217.

The Children's Aid Society of Hamilton

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

Year ended March 31, 2021

	Preparation for Independence \$	Wendy's Wonderful Kids \$	Education Liaison \$	Emergency COVID \$	COVID Mental Health \$	2021 Total \$	2020 Total \$
Revenue							
Grants							
Dave Thomas Foundation	—	85,000	—	—	—	85,000	85,000
Lynwood Charlton Centre	—	—	—	256,905	—	256,905	
Province of Ontario	43,492	—	84,379	—	50,000	177,871	116,749
Recoveries	—	34,184	—	—	—	34,184	29,367
	43,492	119,184	84,379	256,905	50,000	553,960	231,116
Expenditures							
Salaries	43,492	86,612	50,123	—	9,889	190,116	182,928
Benefits	—	25,177	6,607	—	3,487	35,271	31,944
Travel	—	7,395	—	—	—	7,395	7,468
Purchased services – client	—	—	27,649	103,065	36,624	167,338	8,776
Client personal needs	—	—	—	153,840	—	153,840	—
	43,492	119,184	84,379	256,905	50,000	553,960	231,116

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