

The Children's Aid Society of Hamilton

Financial Statements

For the year ended March 31, 2022

The Children's Aid Society of Hamilton

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For the year ended March 31, 2022

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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, 2022, and the statements of operations and changes in fund balances and cash flows for the year ended 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, 2022, and the results of its operations and its cash flows for the year ended then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("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.

Burlington, Ontario

June 20, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

The Children's Aid Society of Hamilton

Statement of Financial Position

As at March 31, 2022

	Child Welfare Fund \$	Ontario Child Benefit Fund \$	Society Fund \$	Capital Fund \$	2022 Total \$	2021 Total \$
Assets						
Current assets						
Cash	2,508,473	621,462	2,426,899	—	5,556,834	4,572,852
Investments (Note 4, 9)	140,060	—	1,304,309	—	1,444,369	2,381,113
Receivables						
Due from Province of Ontario	610,813	—	—	—	610,813	—
Harmonized Sales Tax receivable	254,599	—	—	—	254,599	212,011
Interfund balance	(10,728)	(28,921)	(595,335)	634,984	—	—
Miscellaneous	300,842	—	22,000	—	322,842	223,636
Prepays and deposits	388,172	—	14,900	—	403,072	268,852
	4,192,232	592,541	3,172,773	634,984	8,592,529	7,658,464
Long term investments (Note 4)	—	—	873,060	—	873,060	—
Capital assets (Note 5)	—	—	—	8,882,962	8,882,962	9,755,342
	4,192,232	592,541	4,045,833	9,517,946	18,348,551	17,413,806
Liabilities						
Current liabilities						
Payables and accruals	3,629,072	—	9,899	—	3,638,971	3,845,600
Due to Province of Ontario	—	—	—	—	—	354,786
RESP funds in trust (Note 7)	516,650	—	—	—	516,650	469,139
OCBE funds in trust (Note 8)	—	273,097	—	—	273,097	264,596
Legal defense funds in trust (Note 9)	140,060	—	—	—	140,060	139,062
Bank loans (Note 10)	—	—	—	1,019,144	1,019,144	1,427,287
	4,285,782	273,097	9,899	1,019,144	5,587,922	6,500,470
Commitments (Note 13)						
Contingent liabilities (Note 14)						
Fund balance						
Equity in capital assets	—	—	—	7,863,818	7,863,818	8,328,055
Internally restricted funds (Note 11)	—	—	—	634,984	634,984	—
Externally restricted funds (Note 12)	(93,551)	319,444	84,649	—	310,542	131,421
Unrestricted funds	—	—	3,951,285	—	3,951,285	2,453,860
	(93,551)	319,444	4,035,934	8,498,802	12,760,629	10,913,336
	4,192,232	592,541	4,045,833	9,517,946	18,348,551	17,413,806

The accompanying notes are an integral part of these financial statements

Approved by the Board

DEMOISE CHRISTOPHERSON
Director

David J. Mifand
Director

The Children's Aid Society of Hamilton
Statement of Operations and Changes in Fund Balances
Year ended March 31, 2022

	Child Welfare Fund \$	Ontario Child Benefit Fund \$	Society Fund \$	Capital Fund \$	2022 Total \$	2021 Total \$
Revenue						
Province of Ontario						
Current funding	46,802,603	309,126	—	12,900	47,124,629	47,135,307
Payment for historical deficit	—	—	—	—	—	1,327,362
Expense recoveries	897,195	—	—	—	897,195	528,804
Government of Canada						
Children's special allowance and benefits	1,351,446	—	—	—	1,351,446	1,597,147
Other Children's Aid Societies	456,239	—	—	—	456,239	452,633
Interest	33,803	2,017	32,381	—	68,201	64,828
Rent	74,554	—	270,000	—	344,554	352,684
Donations	—	—	279,125	—	279,125	214,633
Gain on sale of capital assets	—	—	—	1,783,383	1,783,383	377,468
Miscellaneous	128,323	—	13,259	—	141,582	111,884
Special purpose grants (<i>Schedule 1</i>)	289,615	—	—	—	289,615	553,960
	50,033,778	311,143	594,765	1,796,283	52,735,969	52,716,710
Expenditures						
Salaries	21,604,724	—	102,862	—	21,707,586	20,872,069
Benefits	6,669,405	—	39,839	—	6,709,244	6,083,758
Boarding payments	12,195,791	—	—	—	12,195,791	12,094,012
Client personal needs	396,467	243,908	176,691	—	817,066	791,168
Travel	693,020	—	—	—	693,020	448,192
Health and related	602,238	—	—	—	602,238	470,469
Professional services – client	2,157,005	—	—	—	2,157,005	623,930
Transfer To OCBE Savings Accounts	—	96,782	—	—	96,782	99,768
Targeted subsidies	1,515,240	—	—	—	1,515,240	1,321,695
Financial assistance	548,845	—	—	—	548,845	377,251
Program expenses	12,524	—	230,919	—	243,443	180,192
Training	152,447	—	—	—	152,447	183,624
Professional services – non-client	328,136	—	—	—	328,136	230,364
Building occupancy	405,595	—	49,979	—	455,574	552,188
Technology	556,655	—	—	—	556,655	467,807
Amortization of capital assets	—	—	—	588,608	588,608	647,243
Miscellaneous	839,472	—	1,251	—	840,723	824,921
Office administration	234,375	—	—	—	234,375	315,396
Promotion and publicity	36,029	—	—	—	36,029	36,732
Special purpose grants (<i>Schedule 1</i>)	289,615	—	—	—	289,615	553,960
	49,237,583	340,690	601,541	588,608	50,768,422	47,174,739
Excess of revenue over expenditures (expenditures over revenue) before undernol	796,195	(29,547)	(6,776)	1,207,675	1,967,547	5,541,971
Less due to Province of Ontario Balanced budget fund (<i>Note 16</i>)	(120,254)	—	—	—	(120,254)	(1,884,939)
Excess of revenue over expenditures (expenditures over revenue)	675,941	(29,547)	(6,776)	1,207,675	1,847,293	3,657,032
Fund balance, beginning of year	(308,219)	348,991	2,544,509	8,328,055	10,913,336	7,256,304
Interfund transfers (<i>Note 2</i>)	(461,273)	—	1,498,201	(1,036,928)	—	—
Fund balance, end of year	(93,551)	319,444	4,035,934	8,498,802	12,760,629	10,913,336

The accompanying notes are an integral part of these financial statements

The Children's Aid Society of Hamilton

Statement of Cash Flows

Year ended March 31, 2022

	Child Welfare Fund \$	Ontario Child Benefit Fund \$	Society Fund \$	Capital Fund \$	2022 Total \$	2021 Total \$
Operating activities						
Excess of revenue over expenditures (expenditures over revenue)	675,941	(29,547)	(6,776)	1,207,675	1,847,293	3,657,033
Add items not involving cash						
Amortization of capital assets	—	—	—	588,608	588,608	647,243
Gain on sale of capital assets	—	—	—	(1,783,383)	(1,783,383)	(377,468)
Interfund transfers	(461,273)	—	1,498,201	(1,036,928)	—	—
Change in						
Due from/to Province of Ontario	(965,599)	—	—	—	(965,599)	(628,558)
Harmonized Sales Tax receivable	(42,588)	—	—	—	(42,588)	19,602
Interfund balance	194,396	75,428	365,160	(634,984)	—	—
Miscellaneous	(77,206)	—	(22,000)	—	(99,206)	59,681
Prepays and deposits	(140,570)	—	6,350	—	(134,220)	31,142
Payables and accruals	(211,341)	—	4,712	—	(206,629)	330,103
RESP funds in trust	47,511	—	—	—	47,511	40,342
OCBE funds in trust	—	8,501	—	—	8,501	(1,704)
Legal defense funds in trust	998	—	—	—	998	139,062
	(979,731)	54,382	1,845,647	(1,659,012)	(738,714)	3,916,479
Investing activities						
Increase (decrease) in investments	(998)	—	64,682	—	63,684	(326,327)
Proceeds from sale	—	—	—	2,279,218	2,279,218	690,081
Purchase of capital assets	—	—	—	(212,063)	(212,063)	(589,279)
	(998)	—	64,682	2,067,155	2,130,839	(225,525)
Financing activity						
Repayment of bank loans	—	—	—	(408,143)	(408,143)	(755,473)
Net increase (decrease) in cash	(980,729)	54,382	1,910,329	—	983,982	2,935,481
Cash, beginning of year	3,489,202	567,080	516,570	—	4,572,852	1,637,371
Cash, end of year	2,508,473	621,462	2,426,899	—	5,556,834	4,572,852
Cash consists of						
Cash					5,556,834	4,572,852
Bank indebtedness					—	—
					<u>5,556,834</u>	<u>4,572,852</u>

The accompanying notes are an integral part of these financial statements

The Children's Aid Society of Hamilton

Notes to the financial statements

For the year ended March 31, 2022

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.

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.

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 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

For the year ended March 31, 2022

2. Summary of significant accounting policies (continued from previous page)

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	20-40 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 \$16,980 (\$10,700 in 2021) and has been included in donations on the statement of operations and changes in fund balances.

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.

The Children's Aid Society of Hamilton

Notes to the financial statements

For the year ended March 31, 2022

2. Summary of significant accounting policies (continued from previous page)

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 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 an Annual Reconciliation Report (ARR), 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 \$214,668 (\$3,038,698 in 2021). The surplus for Ministry reporting is \$120,254 (surplus of \$4,955,390 in 2021). A portion of the surplus from 2021 was used towards outstanding historical debt (\$3,070,451). The surplus from 2022 and the remaining surplus of \$1,884,939 from 2021 will be returned to the Ministry, with a portion placed into the Society's Balanced Budget Fund (Note 16).

4. Investments

Investments consist of guaranteed investment certificates and term deposits with Canadian chartered banks in the amount of \$2,136,585 (\$2,200,749 in 2021) and \$180,844 (\$180,364 in 2021) respectively. Investments in guaranteed investment certificates that are due in more than one year are presented as long term investments. Investments from the Legal Defense Fund of \$140,060 (\$139,062 in 2021) are recorded as investments in the operating fund. Maturity dates range from April 1, 2022 to April 1, 2024 and interest rates are between 0.62% and 2.88%.

The Children's Aid Society of Hamilton
Notes to the financial statements
For the year ended March 31, 2022

5. Capital assets

	Cost \$	Accumulated amortization \$	2022 Net book value \$
Land	1,491,250	—	1,491,250
Building	11,797,462	4,745,381	7,052,081
Computer equipment	1,691,141	1,548,162	142,979
Computer software	486,419	406,340	80,079
Equipment	718,874	686,790	32,084
Vehicles	93,736	52,557	41,179
Outdoor improvements	596,020	552,710	43,310
	16,874,902	7,991,940	8,882,962

	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

During the year, fully amortized assets with a cost of \$nil (\$565,485 in 2021) were written off as the assets are no longer in use.

6. Bank indebtedness

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

For the year ended March 31, 2022

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 \$516,650 (\$469,139 in 2021) 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 2022, \$142,600 (\$218,840 in 2021) was transferred to the RESP provider for deposit to the individual plans of children. At the end of 2022, the agency is the sponsor for 513 RESP's (515 in 2021), with total contributions of \$2,321,079 (\$2,380,479 in 2021), not including government grants. Individual RESP's 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, \$96,782 (\$99,768 in 2021) 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

In the prior 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

For the year ended March 31, 2022

10. Bank loans

	2022	2021
	\$	\$
Demand instalment loan with CIBC, fixed interest rate of 3.84%, repayable in monthly amounts of \$27,771 including interest, maturing at 2023	1,019,144	1,307,239
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
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
	1,019,144	1,427,287

During the year, two 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.

Scheduled principal repayments are as follows:

	\$
2023	299,443
2024	719,701
	1,019,144

Interest totaling \$45,842 (\$70,571 in 2021) has been recorded in the statement of operations in respect of the bank loans.

11. Internally restricted funds

The net proceeds from the sale of the home on Kenilworth (\$634,984) have been placed into an internally restricted fund to be used for future capital investments. Approval by the board of directors is required before any use of the funds.

12. Externally restricted funds

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

	2022	2021
	\$	\$
Child Welfare Fund	(93,551)	(308,219)
Ontario Child Benefit Fund	319,444	348,991
Society Fund	84,649	90,649
	310,542	131,421

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.

The Children's Aid Society of Hamilton

Notes to the financial statements

For the year ended March 31, 2022

13. 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 2022 include \$2,181,875 for contributions to March 31, 2022 (\$2,063,692 in 2021) 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 to 2027. Future lease payments aggregate \$72,197 and include the following scheduled amounts payable:

	\$
2023	18,774
2024	18,774
2025	18,774
2026	15,737
2027 and thereafter	138

14. 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, 2022 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.

15. 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.

The Children's Aid Society of Hamilton

Notes to the financial statements

For the year ended March 31, 2022

15. Financial instruments and risk management (continued from previous page)

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, 2022 and March 31, 2021, 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.

16. 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.

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.

In 2022, the surplus for Ministry reporting is \$120,254, which is required to be repaid to the Ministry. Of this amount, fifty percent or \$60,127 will be contributed to the Society's Balanced Budget Fund.

Fiscal year	Contributions (Withdrawals) \$	Expiry	Balance as of fiscal year end \$
2019/20	1,819,935	March 31, 2023	1,819,935
2020/21	942,470	March 31, 2024	2,762,405
2021/22	60,127	March 31, 2025	2,822,532

The Children's Aid Society of Hamilton
Schedule 1 – Schedule of Revenues and Expenditures – Special Purpose Grants
Year ended March 31, 2022

	Preparation for Independence \$	Wendy's Wonderful Kids \$	Education Liaison \$	COVID Mental Health \$	2022 Total \$	2021 Total \$
Revenue						
Grants						
Dave Thomas Foundation	—	85,000	—	—	85,000	85,000
Lynwood Charlton Centre	—	—	—	18,095	18,095	256,905
Province of Ontario	43,492	—	107,561	—	151,053	177,871
Recoveries	—	32,282	3,185	—	35,467	34,184
	43,492	117,282	110,746	18,095	289,615	553,960
Expenditures						
Salaries	43,492	85,957	84,120	—	213,569	190,116
Benefits	—	27,448	25,636	—	53,084	35,271
Travel	—	3,876	330	—	4,206	7,395
Purchased services – client	—	—	660	—	660	167,338
Client personal needs	—	—	—	18,095	18,095	153,840
	43,492	117,282	110,746	18,095	289,615	553,960