

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**

**FINANCIAL STATEMENTS**

March 31, 2020

**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
**HIGHLAND SHORES CHILDREN'S AID SOCIETY**

**Opinion**

We have audited the financial statements of **HIGHLAND SHORES CHILDREN'S AID SOCIETY** (the Society), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances, rereasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Canadian public sector accounting standards for government not-for-profit organizations, 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 generally accepted auditing standards 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.

Trenton, Ontario  
June 24, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
*Incorporated without share capital under the laws of Ontario*  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2020**

	General Fund	Capital Fund	Other Funds	2020	2019
<b>CURRENT ASSETS</b>					
Cash	\$ 1,805,315	\$ -	\$ -	\$ 1,805,315	\$ 3,255,581
Accounts receivable	775,498	-	-	775,498	606,914
Prepaid expenses	1,081,987	-	-	1,081,987	555,899
	<u>3,662,800</u>	<u>-</u>	<u>-</u>	<u>3,662,800</u>	<u>4,418,394</u>
<b>BALANCED BUDGET FUND - Note 15</b>	-	-	2,122,142	2,122,142	1,751,960
<b>INVESTMENTS - Note 4</b>	-	-	339,346	339,346	379,278
<b>CAPITAL ASSETS - Note 5</b>	-	8,624,806	-	8,624,806	9,022,544
	<u>\$ 3,662,800</u>	<u>\$ 8,624,806</u>	<u>\$ 2,461,488</u>	<u>\$ 14,749,094</u>	<u>\$ 15,572,176</u>

**LIABILITIES AND FUND BALANCES**


**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 3,291,517	\$ -	\$ -	\$ 3,291,517	\$ 3,585,838
Due to other funds - Note 12	413,692	-	(413,692)	-	-
Current portion of long-term debt	-	412,000	-	412,000	2,895,000
Due to Province of Ontario	432,655	-	-	432,655	1,044,508
	<u>4,137,864</u>	<u>412,000</u>	<u>(413,692)</u>	<u>4,136,172</u>	<u>7,525,346</u>
<b>TRUST FUNDS - Note 6</b>	-	-	684,556	684,556	740,456
<b>LONG-TERM DEBT - Note 7</b>	-	3,363,000	-	3,363,000	1,232,000
<b>INTEREST RATE SWAPS - Note 8</b>	-	280,720	-	280,720	177,919
<b>TOTAL LIABILITIES</b>	<u>4,137,864</u>	<u>4,055,720</u>	<u>270,864</u>	<u>8,464,448</u>	<u>9,675,721</u>

**FUND BALANCES**

Invested in capital assets	-	4,849,806	-	4,849,806	4,895,544
Externally restricted - Schedule 1	-	-	2,164,361	2,164,361	1,773,619
Internally restricted - Schedule 1	-	-	26,263	26,263	25,742
Unrestricted	(475,064)	-	-	(475,064)	(620,531)
	<u>(475,064)</u>	<u>4,849,806</u>	<u>2,190,624</u>	<u>6,565,366</u>	<u>6,074,374</u>
Accumulated reinsurance losses	-	(280,720)	-	(280,720)	(177,919)
	<u>(475,064)</u>	<u>4,569,086</u>	<u>2,190,624</u>	<u>6,284,646</u>	<u>5,896,455</u>
	<u>\$ 3,662,800</u>	<u>\$ 8,624,806</u>	<u>\$ 2,461,488</u>	<u>\$ 14,749,094</u>	<u>\$ 15,572,176</u>

Approved by the board:

 Director

Director

(See accompanying Notes)

Welch<sup>+</sup>LLP

An Independent Member of BKR International

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**YEAR ENDED MARCH 31, 2020**

	General Fund	Capital Fund	Other Funds	2020	2019
<b>REVENUE</b>					
Province of Ontario Child Welfare Funding - Note 15	\$ 38,328,489	\$ -	\$ -	\$ 38,328,489	\$ 39,974,440
Other funds - Schedule I	-	-	1,130,717	1,130,717	1,556,915
	<u>38,328,489</u>	<u>-</u>	<u>1,130,717</u>	<u>39,459,206</u>	<u>41,531,355</u>
<b>EXPENDITURES</b>					
Salaries	17,659,924	-	-	17,659,924	18,365,383
Benefits	5,339,013	-	-	5,339,013	5,442,429
Travel	1,203,246	-	-	1,203,246	1,328,162
Training and recruitment	170,427	-	-	170,427	198,185
Building occupancy	1,233,167	-	-	1,233,167	1,283,639
Purchased services non-client	473,854	-	-	473,854	337,310
Program expenses	39,445	-	-	39,445	48,544
Boarding home payments	8,799,442	-	-	8,799,442	8,908,749
Professional services client	508,051	-	-	508,051	702,315
Client personal needs	739,939	-	-	739,939	963,476
Targeted subsidies	892,456	-	-	892,456	917,214
Health and related	397,692	-	-	397,692	392,288
Financial assistance	105,046	-	-	105,046	123,015
Promotion and publicity	23,092	-	-	23,092	27,420
Office administration	376,842	-	-	376,842	552,352
Miscellaneous	566,053	-	-	566,053	530,500
Technology	611,515	-	-	611,515	546,828
Other funds - Schedule I	-	-	739,454	739,454	574,818
Amortization	-	397,738	-	397,738	420,730
Total expenditures	39,139,204	397,738	739,454	40,276,396	41,663,357
Expenditure recoveries	(154,874)	-	-	(154,874)	(110,662)
Non-retainable revenues	(1,153,308)	-	-	(1,153,308)	(1,109,193)
Net expenditures	<u>37,831,022</u>	<u>397,738</u>	<u>739,454</u>	<u>38,968,214</u>	<u>40,443,502</u>
Excess (deficiency) of revenue over expenditures	497,467	(397,738)	391,263	490,992	1,087,853
<b>FUND BALANCES, beginning of year</b>	(620,531)	4,895,544	1,799,361	6,074,374	4,986,521
<b>Interfund transfers - Note 12</b>	(352,000)	352,000	-	-	-
<b>FUND BALANCES, end of year</b>	<u>\$ (475,064)</u>	<u>\$ 4,849,806</u>	<u>\$ 2,190,624</u>	<u>\$ 6,565,366</u>	<u>\$ 6,074,374</u>

(See accompanying Notes)

**HIGHLAND SHORES CHILDREN'S AID SOCIETY  
STATEMENT OF REMEASUREMENT GAINS AND LOSSES  
YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
Accumulated remeasurement losses, beginning of year	\$ (177,919)	\$ (233,612)
Unrealized gains (losses) attributable to: Interest rate swaps	<u>(102,801)</u>	<u>55,693</u>
Accumulated remeasurement losses, end of year	<u>\$ (280,720)</u>	<u>\$ (177,919)</u>

*(See accompanying Notes)*

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures	\$ 490,992	\$ 1,087,853
Adjustments for		
Amortization	<u>397,738</u>	<u>420,730</u>
	888,730	1,508,583
Change in non-cash working capital components:		
Accounts receivable	(168,584)	200,087
Prepaid expenses	(526,088)	(79,509)
Accounts payable and accrued liabilities	(294,321)	(774,782)
Due to Province of Ontario	<u>(611,853)</u>	<u>2,808,488</u>
	<u>(712,116)</u>	<u>3,662,867</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in Balanced Budget Fund	(370,182)	(987,629)
(Increase) decrease in investments	<u>39,932</u>	<u>49,719</u>
	<u>(330,250)</u>	<u>(937,910)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Trust fund advances - net	(55,900)	(65,213)
Repayment of long-term debt	<u>(352,000)</u>	<u>(372,000)</u>
	<u>(407,900)</u>	<u>(437,213)</u>
 <b>INCREASE (DECREASE) IN CASH</b>	(1,450,266)	2,287,744
<b>CASH, beginning of year</b>	<u>3,255,581</u>	<u>967,837</u>
<b>CASH, end of year</b>	<u><u>\$ 1,805,315</u></u>	<u><u>\$ 3,255,581</u></u>

*(See accompanying Notes)*

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES - OTHER FUNDS**  
**YEAR ENDED MARCH 31, 2020**  
**SCHEDULE 1**

	Crown Ward Education Externally Restricted	Designated Donations - North Hastings Externally Restricted	Foundation Donations Externally Restricted	Budget Fund Externally Restricted	Other Ministry Programs Externally Restricted (Schedule 2)	Hastings Treasurer's Account Internally Restricted	Total Restricted Funds
REVENUE	\$ 37,000	\$ -	\$ -	\$ 845,688	\$ 247,508	\$ 521	\$ 1,130,717
EXPENDITURES	16,240	-	200	475,506	247,508	-	739,454
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	20,760	-	(200)	370,182	-	521	391,263
<b>BALANCE, BEGINNING OF YEAR</b>	21,311	148	200	1,751,960	-	25,742	1,799,361
<b>BALANCE, END OF YEAR</b>	\$ 42,071	\$ 148	\$ -	\$ 2,122,142	\$ -	\$ 26,263	\$ 2,190,624

(See accompanying Notes)



**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES**  
**- OTHER MINISTRY PROGRAMS**  
**YEAR ENDED MARCH 31, 2020**  
**SCHEDULE 2**

	Independent Living	Pay Equity	Education Liaison	Wrap Around Program	Total
<b>REVENUE</b>					
MCCSS approved funding	\$ 68,080	\$ 3,341	\$ 24,035	\$ 124,802	\$ 220,258
Other revenue	-	-	-	27,250	27,250
	<u>68,080</u>	<u>3,341</u>	<u>24,035</u>	<u>152,052</u>	<u>247,508</u>
<b>EXPENDITURES</b>					
Salaries and benefits	68,080	3,341	-	128,687	200,108
Travel	-	-	-	14,158	14,158
Training	-	-	-	150	150
Building occupancy	-	-	-	5,197	5,197
Professional services client	-	-	-	50	50
Office administration	-	-	24,035	2,977	27,012
Technology	-	-	-	665	665
Promotion and publicity	-	-	-	168	168
	<u>68,080</u>	<u>3,341</u>	<u>24,035</u>	<u>152,052</u>	<u>247,508</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying Notes)

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES - THERAPEUTIC FAMILY CARE**  
**(NOTE 16)**  
**YEAR ENDED MARCH 31, 2020**  
**SCHEDULE 3**

	2020	2019
<b>REVENUE</b>		
Partner agencies	\$ 2,113,845	\$ 2,077,739
Other	-	13,907
	2,113,845	2,091,646
<b>EXPENDITURES</b>		
Salaries	1,362,089	1,355,072
Benefits	361,609	335,322
Travel	114,412	113,174
Training	16,820	22,461
Building occupancy	92,423	92,798
Professional services client	22,506	33,954
Client personal needs	296	675
Promotion and publicity	7,747	8,673
Office administration	31,974	31,723
Miscellaneous	109,231	107,541
Technology	419	859
Financial assistance	50	-
	2,119,576	2,102,252
Expenditure recovery	(5,731)	(10,606)
	2,113,845	2,091,646
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>

*(See accompanying Notes)*

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**1. DESCRIPTION OF THE ORGANIZATION**

The Highland Shores Children's Aid Society is incorporated as a corporation without share capital and is exempt from the payment of income tax. The entity is responsible for the care and protection of children in Hastings, Northumberland and Prince Edward Counties as set out under the provisions of the Child and Family Services Act. The Society is committed to protecting children from abuse and neglect, strengthening parents and families to meet the needs of their children and providing safe, stable placement for children at risk. The Society is a registered charity under section 149(1) of the Canadian Income Tax Act and is therefore exempt from income taxes.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements of the Society have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

**Fund Accounting**

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

Revenues and expenditures for service delivery activities and administration are reported in the General Fund.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to capital assets.

Other Funds report the assets, liabilities, revenues and expenditures related to internally and externally restricted funds. Other Funds also reflect the assets and liabilities related to funds held in trusts.

**Revenue recognition**

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenditures are incurred. The Province of Ontario recognizes certain expenditures only when paid and as a result certain expenditures are only eligible for funding when paid. The Province funds capital expenditures at the time of purchase except for those that are financed in which case funding occurs at the time that principal payments are made. No revenue is recognized related to these expenditures until the period that they are eligible for funding.

All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributed Property, Equipment, Materials and Services**

Contributed property, equipment and materials are recorded at fair market value when the value can be reasonably estimated and the Society would have paid for the item if it had not been donated. Contributed services are not recognized or disclosed in the notes to the financial statements.

**Capital Assets**

Capital assets are recorded at cost. Amortization is provided using the following methods and annual rates:

Buildings	4% to 5% declining balance
Furniture, fixtures and equipment	4 year straight line or 20% declining balance
Leasehold improvements	remaining term of lease to a maximum of 10 years straight line
Paving and parking lot	10 years straight line
Computer software and hardware	4 years straight line

**Financial Instruments**

The Society initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost except interest rate swaps.

Financial assets measured at amortized cost include cash, accounts receivable, balanced budget fund and fixed income investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**2. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Management makes accounting estimates when determining the estimated useful lives of the Society's capital assets. Actual results could differ from those estimates.

**3. FINANCIAL INSTRUMENTS**

**Credit Risk**

The Society is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Society's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and investments. The Society's cash and investments are with Canadian banks while the accounts receivable are largely amounts due from governments and other child welfare agencies and as a result management believes the risk of loss to be remote. Of the receivables 96% are current with the remaining 4% ranging from 30 to 91 days.

**Liquidity Risk**

Liquidity risk is the risk that the Society cannot meet a demand for cash or fund its obligations as they become due. The Society meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can readily be converted to cash. Substantially all of the accounts payable and accrued liabilities are anticipated to be settled within six months of the year end.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

**(i) Currency Risk**

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. Substantially all of the Society's transactions are in Canadian dollars and as a result, management does not believe the Society is exposed to significant currency risk.

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**(ii) Interest Rate Risk**

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Society has managed its interest rate risk by hedging its variable rate debt with interest rate swap agreements.

**(iii) Other Price risk**

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Society is not exposed to other price risk.

**Change in Risk**

There was no significant change in the Society's risk exposure during the year.

**Fair Value Measurement**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

Interest rate swaps are grouped as level 3.

**4. INVESTMENTS**

	2020	2019
<b>Trust Funds</b>		
- Children in Care - savings accounts	\$ 81,383	\$ 60,254
- Ontario Child Benefit Equivalent - savings account	222,934	293,282
Employee self funded leave - savings account	8,766	-
	313,083	353,536
<b>Internally restricted funds</b>		
- Treasurer's Account - savings account	26,263	25,742
<b>Total</b>	<b>\$ 339,346</b>	<b>\$ 379,278</b>

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**5. CAPITAL ASSETS**

Capital assets consist of:

	2020			2019
	Cost	Accumulated amortization	Net	Net
Land	\$ 698,886	\$ -	\$ 698,886	\$ 698,886
Buildings	14,228,997	6,388,049	7,840,948	8,172,047
Furniture, fixtures and equipment	1,616,367	1,590,313	26,054	32,567
Leasehold improvements	65,000	65,000	-	-
Paving and parking lot	276,834	241,392	35,442	48,615
Computer software and hardware	339,786	316,310	23,476	70,429
	<u>\$ 17,225,870</u>	<u>\$ 8,601,064</u>	<u>\$ 8,624,806</u>	<u>\$ 9,022,544</u>

**6. TRUST FUNDS**

	2020	2019
Children in Care	\$ 81,738	\$ 59,765
Universal Child Care Benefit	150,591	169,159
Ontario Child Benefit equivalent - Activities	219,254	230,021
Ontario Child Benefit equivalent - Savings	224,207	281,511
Employee Self Funded Leave	8,766	-
	<u>\$ 684,556</u>	<u>\$ 740,456</u>

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**7. LONG-TERM DEBT**

Long-term debt consists of the following:

	2020	2019
Bankers acceptance, interest at Royal Bank BA rate at time of renewal plus .50% per annum acceptance fee. Interest is fixed with an interest rate swap agreement at 4.89% plus acceptance fee. The acceptance fee will be reset in August 2021. Interest paid in advance at time of renewal with an adjustment at next monthly renewal to swapped rate. Principal is reduced each monthly renewal at varying amounts from \$11,000 to \$20,000 until March 2026. Remaining balances due March, 2026.	\$ 1,232,000	\$ 1,401,000
Bankers acceptance, interest at Royal Bank BA rate at time of renewal plus 0.67 per annum acceptance fee. Interest is fixed with an interest rate swap agreement at 2.0% plus acceptance fee. Interest paid in advance at time of renewal with an adjustment at next quarterly renewal to the swapped rate. Principal is reduced each quarterly renewal at varying amounts from \$57,000 to \$74,000 until October 2029. Remaining balance due October, 2029.	2,543,000	2,726,000
Less current portion	412,000	2,895,000
	\$ 3,363,000	\$ 1,232,000

The loans are secured by a general security agreement creating a first ranking security interest in all personal property of the Society and a first mortgage over 363 Dundas Street West, Belleville.

Future principal repayments are estimated to be as follows:

	2020
2021	\$ 412,000
2022	429,000
2023	443,000
2024	461,000
2025	479,000
Thereafter	1,551,000
	\$ 3,775,000

Interest expense of \$174,951 (2019 - \$218,584) has been included in building occupancy costs on the Statement of Operations and Changes in Fund Balances.



**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**8. INTEREST RATE SWAP AGREEMENTS**

The Society has entered into two interest rate swap agreements which fix the long-term interest rates associated with borrowing related to its head office real estate. Under these agreements, the Society pays interest on the notional principal at a fixed rate, and receives interest on the same notional principal at a variable rate based on Bankers' Acceptance rates. There is no exposure to loss on the notional principal amounts since the amounts are netted by agreement, however, as interest rates fluctuate, the fair value of each swap rises and falls.

Under the first swap agreement, the Society pays a fixed rate of 4.89% on the notional principal. As at March 31, 2020 the notional principal of this agreement was \$1,232,000 (2019- \$1,401,000) and the notional principal is being reduced monthly in a systematic manner until the contract matures on March 31, 2026.

Under the second swap agreement the Society pays a fixed rate of 2.0% on the notional principal. As at March 31, 2020 the notional principal of this agreement was \$2,543,000 (2018 - \$2,726,000) and the notional principal is being reduced monthly in a systematic manner until the contract matures on October 21, 2029.

The combined notional principal as at March 31, 2020 was \$3,775,000 (2019 - \$4,127,000).

As at March 31, 2020, the combined fair values of the interest rate swaps result in a liability of \$280,720 (2018 - \$177,919).

**9. COMMITMENTS**

The Society has entered into various leases for premises and certain office equipment. Future minimum lease payments under leases are as follows:

2021	\$	395,210
2022		270,139
2023		220,335
2024		115,589
2025		15,061

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**10. ECONOMIC DEPENDENCE**

The Society receives substantially all of its funding from the Province of Ontario and is economically dependent on this funding.

**11. PENSION AGREEMENTS**

The Society makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of the members of its staff. This 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. Contributions are split equally between the employees and the Society.

The Society's share of contributions to OMERS for 2020 was \$1,938,304 (2019 - \$1,963,346) for current service cost and is included in the statement of operations and changes in fund balances.

The OMERS plan has a reported \$3.4 billion actuarial deficit at December 31, 2019 (2018 - \$4.2 billion), and actuarial liabilities of \$106.4 billion (2018 - \$99.1 billion).

**12. INTERFUND TRANSFERS**

Amounts due to/from other funds are non-interest bearing with no fixed terms of repayment.

Transfers between funds in the current year are as follows:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Funds</u>
From general and other fund to capital fund - principal repayments	<u>\$ (352,000)</u>	<u>\$ 352,000</u>	<u>\$ -</u>

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**13. CHILDREN'S SPECIAL FUNDS**

The Society receives the Universal Child Care Benefit (UCCB) for children under the age of 7 and the Ontario Child Benefit Equivalent (OCBE) for children under the age of 18 from the Federal and Ontario governments respectively for Children in Care of the Society. Under a directive from the Federal government, the UCCB must be invested in Registered Education Savings Plans (RESP) for each individual child for which they receive the UCCB with the Society as the subscriber. The Society must manage these funds, even if the child leaves the care of the Society, until the child utilizes the funds for post secondary education or the child turns 25. Under a directive from the Ontario government, the OCBE is restricted to fund social, educational or recreational activities of benefit to the specific child and/or to provide savings for children 15 to 17 years of age. Both the RESP and OCBE savings must be tracked individually by child. The RESP accounts are not reflected in the financial statements.

As of March 31, 2020, RESP accounts with a value of \$1,283,356 are held in the Society Plans. These amounts include Society contributions, federal grants and income earned on the funds. These funds are invested in guaranteed investment certificates.

**14. CONTINGENT LIABILITIES**

The Society is subject to litigation from time to time in the course of carrying out its duties. The Society and its predecessors have outstanding claims against them totalling approximately \$18.7 million at March 31, 2020. The Society and its predecessors maintained liability insurance with varying coverage including subpolicies for the years to which the claims relate. The likelihood of any loss is not determinable at this time and management believes that any amount of loss not covered by insurance would be minimal. Management has provided a reasonable estimate of the cost of the legal claims against the Society.

The Society is subject to an annual review of its expenditures by the provincial government under the Transfer Payment Annual Reconciliation ("TPAR") process for its general fund program and the programs detailed on schedule 2. The Society has provided for any funding received in excess of eligible expenditures as amounts due to Province of Ontario. Differences between actual repayments and provisions are adjusted in the year the actual repayment amount is determined.

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**15. PROVINCE OF ONTARIO CHILD WELFARE FUNDING**

Province of Ontario Child Welfare Funding consists of the following:

Approved funding for the year	\$ 39,173,401
Additional targeted subsidy funding receivable for current year	776
TPAR recoverable for current year	<u>(845,688)</u>
	<u>\$ 38,328,489</u>

The Ministry of Children, Community and Social Services ("MCCSS") maintains a "Balanced Budget Fund" to support Children's Aid Societies in meeting the balanced budget requirements outlined in the Ministry's Regulation 70. The Balanced Budget Fund process has been developed individually for each Children's Aid Society and reflects the accumulated surplus returned to the Ministry each year since 2014. To be eligible to access these funds, the Society must meet three conditions:

- (1) the Society must have generated a prior year surplus recovered in or after fiscal 2014; and
- (2) the Society must require additional funding in a future year for child welfare operations in order that they will not incur a deficit. The required amounts cannot exceed the total accumulated balanced budget fund surplus.
- (3) the Society has three years from when the surplus was generated to submit a deficit budget and apply for Ministry approval to use the accumulated balanced budget fund surplus.

During the year, the Society generated a funding surplus of \$845,688 (2019 surplus of \$1,276,454) that is scheduled to be recovered from MCCSS and will be deducted from the Society's Balanced Budget Fund. The deficit has been shown as an expenditure of the Balanced Budget Fund.

The Balanced Budget Fund has a three year expiry on the funds from the date they were generated. Expiration is as follows:

2022 (generated from 2019 surplus)	\$ 1,276,454
2023 (generated from 2020 surplus)	<u>845,688</u>
	<u>\$ 2,122,142</u>

At the end of the current fiscal year, the balanced budget fund addition from 2017 of \$475,505 expired and has been shown as an expenditure of the Balanced Budget Fund.

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**16. THERAPEUTIC FAMILY CARE**

Therapeutic Family Care (TFC) is a program operated by the Society from rented premises. The program is Jointly funded by the Society and two other child welfare agencies. Schedule 3 presents the gross funding received from the three agencies along with other revenues and expenditures. The program operates on a break even basis as the three partner agencies share equally in its costs based on their utilization of the program. The Society's proportionate share of other revenue and expenditures have been reflected on a line by line basis in the General Fund on the Statement of Operations and Changes in Fund Balance. The Society's percentage share of the net expenditures for 2020 is 44.03% (2019 - 43.19%).