

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**

**FINANCIAL STATEMENTS**

March 31, 2021

**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, 2021, and the statements of operations and changes in fund balances, remeasurement 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, 2021, 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 23, 2021

*Welch LLP*

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, 2021**

	General Fund	Capital Fund	Other Funds	2021	2020
<b>CURRENT ASSETS</b>					
Cash	\$ 3,605,612	\$ -	\$ -	\$ 3,605,612	\$ 1,805,315
Accounts receivable	1,623,709	-	-	1,623,709	775,498
Prepaid expenses	<u>529,422</u>	-	-	<u>529,422</u>	<u>1,081,987</u>
	5,758,743	-	-	5,758,743	3,662,800
<b>BALANCED BUDGET FUND - Note 14</b>					
	-	-	3,904,830	3,904,830	2,122,142
<b>INVESTMENTS - Note 4</b>					
	-	-	303,670	303,670	339,346
<b>CAPITAL ASSETS - Note 5</b>					
	-	<u>8,087,947</u>	-	<u>8,087,947</u>	<u>8,624,806</u>
	<u>\$ 5,758,743</u>	<u>\$ 8,087,947</u>	<u>\$ 4,208,500</u>	<u>\$ 18,055,190</u>	<u>\$ 14,749,094</u>

**LIABILITIES AND FUND BALANCES**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 3,275,870	\$ -	\$ -	\$ 3,275,870	\$ 3,291,517
Due to other funds - Note 12	411,989	-	(411,989)	-	-
Current portion of long-term debt	-	429,000	-	429,000	412,000
Due to Province of Ontario	<u>2,591,768</u>	-	-	<u>2,591,768</u>	<u>432,655</u>
	6,279,627	429,000	(411,989)	6,296,638	4,136,172
<b>TRUST FUNDS - Note 6</b>					
	-	-	654,005	654,005	684,556
<b>LONG-TERM DEBT - Note 7</b>					
	-	2,934,000	-	2,934,000	3,363,000
<b>INTEREST RATE SWAPS - Note 8</b>					
	-	160,979	-	160,979	280,720
	<u>6,279,627</u>	<u>3,523,979</u>	<u>242,016</u>	<u>10,045,622</u>	<u>8,464,448</u>

**FUND BALANCES**

Invested in capital assets	-	4,724,947	-	4,724,947	4,849,806
Externally restricted - Schedule 1	-	-	3,940,072	3,940,072	2,164,361
Internally restricted - Schedule 1	-	-	26,412	26,412	26,263
Unrestricted	<u>(520,884)</u>	-	-	<u>(520,884)</u>	<u>(475,064)</u>
	(520,884)	4,724,947	3,966,484	8,170,547	6,565,366
Accumulated remeasurement losses	-	(160,979)	-	(160,979)	(280,720)
	<u>(520,884)</u>	<u>4,563,968</u>	<u>3,966,484</u>	<u>8,009,568</u>	<u>6,284,646</u>
	<u>\$ 5,758,743</u>	<u>\$ 8,087,947</u>	<u>\$ 4,208,500</u>	<u>\$ 18,055,190</u>	<u>\$ 14,749,094</u>

Approved by the Board:

 Director

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Director

June 23, 2021

(See accompanying Notes)

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**Welch 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, 2021**

	General Fund	Capital Fund	Other Funds	2021	2020
<b>REVENUE</b>					
Province of Ontario Child Welfare Funding - Note 14	\$ 34,810,806	\$ -	\$ -	\$ 34,810,806	\$ 38,328,489
Other funds - Schedule 1	-	-	2,198,865	2,198,865	1,130,717
	<u>34,810,806</u>	<u>-</u>	<u>2,198,865</u>	<u>37,009,671</u>	<u>39,459,206</u>
<b>EXPENDITURES</b>					
Salaries	17,534,009	-	-	17,534,009	17,659,924
Benefits	5,441,527	-	-	5,441,527	5,339,013
Travel	569,071	-	-	569,071	1,203,246
Training and recruitment	168,583	-	-	168,583	170,427
Building occupancy	1,045,624	-	-	1,045,624	1,233,167
Purchased services non-client	287,307	-	-	287,307	473,854
Program expenses	27,578	-	-	27,578	39,445
Boarding home payments	6,417,111	-	-	6,417,111	8,799,442
Professional services client	270,593	-	-	270,593	508,051
Client personal needs	609,256	-	-	609,256	739,939
Targeted subsidies	761,593	-	-	761,593	892,456
Health and related	205,033	-	-	205,033	397,692
Financial assistance	224,023	-	-	224,023	105,046
Promotion and publicity	15,474	-	-	15,474	23,092
Office administration	417,340	-	-	417,340	376,842
Miscellaneous	584,706	-	-	584,706	566,053
Technology	811,233	-	-	811,233	611,515
Other funds - Schedule 1	-	-	423,005	423,005	739,454
Amortization	-	350,713	-	350,713	397,738
Total expenditures	<u>35,390,061</u>	<u>350,713</u>	<u>423,005</u>	<u>36,163,779</u>	<u>40,276,396</u>
Expenditure recoveries	(164,913)	-	-	(164,913)	(154,874)
Non-retainable revenues	(780,522)	-	-	(780,522)	(1,153,308)
Loss on disposal of capital assets	-	186,146	-	186,146	-
Net expenditures	<u>34,444,626</u>	<u>536,859</u>	<u>423,005</u>	<u>35,404,490</u>	<u>38,968,214</u>
Excess (deficiency) of revenue over expenditures	366,180	(536,859)	1,775,860	1,605,181	490,992
<b>FUND BALANCES, beginning of year</b>	(475,064)	4,849,806	2,190,624	6,565,366	6,074,374
<b>Interfund transfers - Note 12</b>	<u>(412,000)</u>	<u>412,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ (520,884)</u>	<u>\$ 4,724,947</u>	<u>\$ 3,966,484</u>	<u>\$ 8,170,547</u>	<u>\$ 6,565,366</u>

(See accompanying Notes)

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**YEAR ENDED MARCH 31, 2021**

	2021	2020
Accumulated remeasurement losses, beginning of year	\$ (280,720)	\$ (177,919)
Unrealized gains (losses) attributable to: Interest rate swaps	119,741	(102,801)
Accumulated remeasurement losses, end of year	\$ (160,979)	\$ (280,720)

*(See accompanying Notes)*

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2021**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 1,605,181	\$ 490,992
Adjustments for		
Amortization	350,713	397,738
Loss on disposal of capital assets	186,146	-
	2,142,040	888,730
Change in non-cash working capital components:		
Accounts receivable	(848,211)	(168,584)
Prepaid expenses	552,565	(526,088)
Accounts payable and accrued liabilities	(15,647)	(294,320)
Due to Province of Ontario	2,159,113	(611,854)
	3,989,860	(712,116)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Balanced Budget Fund	(1,782,688)	(370,182)
Decrease in investments	35,676	39,932
	(1,747,012)	(330,250)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Trust fund advances - net	(30,551)	(55,900)
Repayment of long-term debt	(412,000)	(352,000)
	(442,551)	(407,900)
 <b>INCREASE (DECREASE) IN CASH</b>	1,800,297	(1,450,266)
 <b>CASH, beginning of year</b>	1,805,315	3,255,581
 <b>CASH, end of year</b>	\$ 3,605,612	\$ 1,805,315

*(See accompanying Notes)*

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES - OTHER FUNDS**  
**YEAR ENDED MARCH 31, 2021**  
**SCHEDULE 1**

		Designated Donations -	Foundation Donations	Budget Fund	Other Ministry Programs	Hastings Treasurer's	Total Restricted Funds
		North Hastings	Externally	Externally	Externally	Account	
		Externally	Restricted	Restricted	Restricted	Internally	Total Restricted
		Restricted	Restricted	Restricted	(Schedule 2)	Restricted	Funds
REVENUE	\$	-	\$	\$	\$	\$	\$
			96	1,782,688	415,932	149	2,198,865
EXPENDITURES		<u>7,073</u>	-	-	<u>415,932</u>	-	<u>423,005</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>		(7,073)	96	1,782,688	-	149	1,775,860
<b>BALANCE, BEGINNING OF YEAR</b>		<u>42,071</u>	-	<u>2,122,142</u>	-	<u>26,263</u>	<u>2,190,624</u>
<b>BALANCE, END OF YEAR</b>	\$	<u><u>34,998</u></u>	<u><u>96</u></u>	<u><u>\$ 3,904,830</u></u>	<u><u>-</u></u>	<u><u>\$ 26,412</u></u>	<u><u>\$ 3,966,484</u></u>

(See accompanying Notes)



**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES**  
**- OTHER MINISTRY PROGRAMS**  
**YEAR ENDED MARCH 31, 2021**  
**SCHEDULE 2**

	Independent Living	Pay Equity	Education Liaison	Wrap Around Program	Mental Health	Pandemic One-Time	Total
<b>REVENUE</b>							
MCCSS approved funding	\$ 68,085	\$ 3,341	\$ 105,051	\$ 124,797	\$ 50,000	\$ 25,158	\$ 376,432
Other revenue	-	-	-	39,500	-	-	39,500
	<u>68,085</u>	<u>3,341</u>	<u>105,051</u>	<u>164,297</u>	<u>50,000</u>	<u>25,158</u>	<u>415,932</u>
<b>EXPENDITURES</b>							
Salaries and benefits	68,085	3,341	-	154,498	33,500	25,158	284,582
Travel	-	-	-	6,867	-	-	6,867
Training	-	-	-	68	-	-	68
Professional services client	-	-	105,051	1,000	-	-	106,051
Office administration	-	-	-	1,596	-	-	1,596
Promotion and publicity	-	-	-	268	-	-	268
Client personal needs	-	-	-	-	16,500	-	16,500
	<u>68,085</u>	<u>3,341</u>	<u>105,051</u>	<u>164,297</u>	<u>50,000</u>	<u>25,158</u>	<u>415,932</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(See accompanying Notes)

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**SCHEDULE OF REVENUE AND EXPENDITURES - THERAPEUTIC FAMILY CARE**  
**(NOTE 16)**  
**YEAR ENDED MARCH 31, 2021**  
**SCHEDULE 3**

	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>		
Partner agencies	\$ 2,140,595	\$ 2,113,845
<b>EXPENDITURES</b>		
Salaries	1,306,318	1,362,089
Benefits	351,291	361,609
Travel	56,987	114,412
Training	42,031	16,820
Building occupancy	89,421	92,423
Professional services client	50,488	22,506
Client personal needs	4,407	296
Promotion and publicity	4,220	7,747
Office administration	23,905	31,974
Miscellaneous	217,225	109,231
Technology	69	419
Financial assistance	-	50
	<u>2,146,362</u>	<u>2,119,576</u>
Expenditure recovery	<u>(5,768)</u>	<u>(5,731)</u>
	<u>2,140,594</u>	<u>2,113,845</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying Notes)

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2021**

**1. DESCRIPTION OF THE ORGANIZATION**

The Highland Shores Children's Aid Society is a not-for-profit organization incorporated without share capital under the laws of Ontario. The Society 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(l) 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, 2021**

**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, 2021**

**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 and determining accrued liabilities including contingent liabilities. 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 99% are current with the remaining 1% 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, 2021**

**(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.

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2021**

**4. INVESTMENTS**

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
<b>Trust Funds</b>		
Children in care - savings accounts	\$ 39,707	\$ 42,360
Ontario Child Benefit Equivalent - savings account	214,178	222,934
Employee self funded leave - savings account	<u>23,372</u>	<u>47,789</u>
	277,257	313,083
<b>Internally restricted funds</b>		
Treasurer's Account - savings account	<u>26,413</u>	<u>26,263</u>
	<u>\$ 303,670</u>	<u>\$ 339,346</u>

**5. CAPITAL ASSETS**

Capital assets consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 658,212	\$ -	\$ 658,212	\$ 698,886
Buildings	13,961,422	6,577,773	7,383,649	7,840,948
Furniture, fixtures and equipment	1,616,367	1,595,524	20,843	26,054
Leasehold improvements	65,000	65,000	-	-
Paving and parking lot	276,834	251,591	25,243	35,442
Computer software and hardware	<u>339,787</u>	<u>339,787</u>	-	<u>23,476</u>
	<u>\$ 16,917,622</u>	<u>\$ 8,829,675</u>	<u>\$ 8,087,947</u>	<u>\$ 8,624,806</u>

**6. TRUST FUNDS**

Trust funds consist of the following:

	<u>2021</u>	<u>2020</u>
Children in care	\$ 33,194	\$ 42,715
Universal Child Care Benefit	192,879	150,591
Ontario Child Benefit equivalent - activities	209,726	219,254
Ontario Child Benefit Equivalent - savings	194,834	224,207
Employee self funded leave	<u>23,372</u>	<u>47,789</u>
	<u>\$ 654,005</u>	<u>\$ 684,556</u>

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2021**

**7. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Bankers acceptance, interest at Royal Bank BA rate at time of renewal plus 0.50% 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.	\$ 1,052,000	\$ 1,232,000
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.	<u>2,311,000</u>	<u>2,543,000</u>
Less current portion	<u>3,363,000</u> <u>429,000</u>	<u>3,775,000</u> <u>412,000</u>
	<u><u>\$ 2,934,000</u></u>	<u><u>\$ 3,363,000</u></u>

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:

	<u>2021</u>
2022	\$ 429,000
2023	443,000
2024	461,000
2025	479,000
2026	496,000
Thereafter	<u>1,055,000</u>
	<u><u>\$ 3,363,000</u></u>

Interest expense of \$107,224 (2020 - \$174,951) 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, 2021 the notional principal of this agreement was \$1,052,000 (2020 - \$1,232,000) 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, 2021 the notional principal of this agreement was \$2,311,000 (2020 - \$2,543,000) 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, 2021 was \$3,363,000 (2020 - \$3,775,000).

As at March 31, 2021, the combined fair values of the interest rate swaps result in a liability of \$160,979 (2020 - \$280,720).

**9. COMMITMENTS**

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

2022	\$	344,554
2023		285,831
2024		115,589
2025		15,061

**10. ECONOMIC DEPENDENCE**

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

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**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 2021 was \$1,899,610 (2020 - \$1,938,304) for current service cost and is included in the statement of operations and changes in fund balances.

The OMERS plan has a reported \$3.2 billion actuarial deficit at December 31, 2020 (2019 -\$3.4 billion), and actuarial liabilities of \$111.8 billion (2019 - \$106.4 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:

	General Fund	Capital Fund	Other Funds
From general and other fund to capital fund			
- principal repayments	\$ (412,000)	\$ 412,000	\$ -

**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, 2021, RESP accounts with a value of \$1,398,071 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.

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

Province of Ontario Child Welfare Funding consists of the following:

Approved funding for the year	\$ 38,037,546
Consistency of care funding	352,608
Targeted subsidy funding payable for current year	(13,972)
TPAR repayable for current year	<u>(3,565,376)</u>
	<u>\$ 34,810,806</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 funding surplus returned to the Ministry each year. Effective for the 2021 fiscal year, the Ministry updated its Balanced Budget Fund policy. Societies without historical funding deficits will only contribute 50% of their funding surplus for the year to their Balanced Budget Fund. 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 \$3,565,376 (2020 surplus of \$845,688), 50% of which is scheduled to be recovered from MCCSS and will be added to the Society's Balanced Budget Fund. The surplus has been shown as revenue of the Balanced Budget Fund. During the year, there was no expiry of prior years' unused surplus.

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)	845,688
2024 (generated from 2021 surplus)	<u>1,782,688</u>
	<u>\$ 3,904,830</u>

**HIGHLAND SHORES CHILDREN'S AID SOCIETY**  
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**15. 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 \$20.9 million at March 31, 2021. 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 and as such, no provision has been made in these statements.

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.

**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 2021 is 41.89% (2020 - 44.03%).