

HIGHLAND SHORES CHILDREN'S AID SOCIETY

FINANCIAL STATEMENTS

March 31, 2023

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, 2023, 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, 2023, 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.

Welch LLP

Trenton, Ontario
June 22, 2023

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, 2023

	General Fund	Capital Fund	Other Funds	2023	2022
CURRENT ASSETS					
Cash	\$ 1,532,059	\$ -	\$ -	\$ 1,532,059	\$ 1,395,653
Accounts receivable	760,332	-	-	760,332	1,812,702
Prepaid expenses	582,354	-	-	582,354	1,306,565
Due from Province of Ontario	489,707	-	-	489,707	-
	<u>3,364,452</u>	<u>-</u>	<u>-</u>	<u>3,364,452</u>	<u>4,514,920</u>
INVESTMENTS - Note 4	-	-	-	-	26,545
CAPITAL ASSETS - Note 5	-	7,479,551	-	7,479,551	7,777,245
INTEREST RATE SWAPS					
- Note 9	-	92,922	-	92,922	13,022
	<u>\$ 3,364,452</u>	<u>\$ 7,572,473</u>	<u>\$ -</u>	<u>\$ 10,936,925</u>	<u>\$ 12,331,732</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,212,713	\$ -	\$ -	\$ 3,212,713	\$ 3,272,196
Due to other funds - Note 6	49,716	-	(49,716)	-	-
Due to trust funds - Note 7	435,549	-	-	435,549	370,898
Current portion of long-term debt	-	461,000	-	461,000	443,000
Due to Province of Ontario	-	-	-	-	1,258,725
	<u>3,697,978</u>	<u>461,000</u>	<u>(49,716)</u>	<u>4,109,262</u>	<u>5,344,819</u>
LONG-TERM DEBT - Note 8	-	2,030,000	-	2,030,000	2,491,000
	<u>3,697,978</u>	<u>2,491,000</u>	<u>(49,716)</u>	<u>6,139,262</u>	<u>7,835,819</u>

FUND BALANCES

Invested in capital assets	-	4,988,551	-	4,988,551	4,843,245
Externally restricted - Schedule 1	-	-	49,716	49,716	15,633
Internally restricted - Schedule 1	-	-	-	-	26,545
Unrestricted	<u>(333,526)</u>	<u>-</u>	<u>-</u>	<u>(333,526)</u>	<u>(402,532)</u>
	<u>(333,526)</u>	<u>4,988,551</u>	<u>49,716</u>	<u>4,704,741</u>	<u>4,482,891</u>
Accumulated remeasurement gains	-	92,922	-	92,922	13,022
	<u>(333,526)</u>	<u>5,081,473</u>	<u>49,716</u>	<u>4,797,663</u>	<u>4,495,913</u>
	<u>\$ 3,364,452</u>	<u>\$ 7,572,473</u>	<u>\$ -</u>	<u>\$ 10,936,925</u>	<u>\$ 12,331,732</u>

Approved by the Board:



Anne-Marie Burrus

Director



Greg Cooper

Director

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2023

	General Fund	Capital Fund	Other Funds	2023	2022
REVENUE					
Province of Ontario Child Welfare Funding - Note 14	\$ 38,300,630	\$ -	\$ -	\$ 38,300,630	\$ 35,835,197
Other funds - Schedule 1	-	-	391,253	391,253	339,922
	<u>38,300,630</u>	<u>-</u>	<u>391,253</u>	<u>38,691,883</u>	<u>36,175,119</u>
EXPENDITURES					
Salaries	17,202,222	-	-	17,202,222	17,706,545
Benefits	5,579,186	-	-	5,579,186	5,681,832
Travel	888,414	-	-	888,414	716,388
Training and recruitment	186,164	-	-	186,164	185,056
Building occupancy	1,256,737	-	-	1,256,737	1,238,869
Purchased services non-client	497,350	-	-	497,350	287,866
Program expenses	25,117	-	-	25,117	15,649
Boarding home payments	8,256,306	-	-	8,256,306	6,113,478
Professional services client	416,697	-	-	416,697	379,857
Client personal needs	802,679	-	-	802,679	640,815
Targeted subsidies	818,718	-	-	818,718	777,569
Health and related	268,639	-	-	268,639	265,461
Financial assistance	585,524	-	-	585,524	242,255
Promotion and publicity	26,225	-	-	26,225	24,029
Office administration	307,800	-	-	307,800	355,716
Miscellaneous	896,945	-	-	896,945	748,553
Technology	904,973	-	-	904,973	748,519
Other funds - Schedule 1	-	-	383,715	383,715	359,398
Amortization	-	297,694	-	297,694	310,702
Total expenditures	38,919,696	297,694	383,715	39,601,105	36,798,557
Expenditure recoveries	(263,731)	-	-	(263,731)	(208,498)
Non-retainable revenues	(867,341)	-	-	(867,341)	(632,114)
Net expenditures	<u>37,788,624</u>	<u>297,694</u>	<u>383,715</u>	<u>38,470,033</u>	<u>35,957,945</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 512,006</u>	<u>\$ (297,694)</u>	<u>\$ 7,538</u>	<u>\$ 221,850</u>	<u>\$ 217,174</u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2023

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Funds</u>	<u>2023</u>	<u>2022</u>
Balance, beginning of year, as previously stated	\$ (402,532)	\$ 4,843,245	\$ 3,234,338	\$ 7,675,051	\$ 8,170,547
Prior Period Adjustment - Note 15	<u>-</u>	<u>-</u>	<u>(3,192,160)</u>	<u>(3,192,160)</u>	<u>(3,904,830)</u>
Balance, beginning of year, as restated	(402,532)	4,843,245	42,178	4,482,891	4,265,717
Excess (deficiency) of revenue over expenditures	512,006	(297,694)	7,538	221,850	217,174
Interfund transfers - Note 6	<u>(443,000)</u>	<u>443,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>\$ (333,526)</u></u>	<u><u>\$ 4,988,551</u></u>	<u><u>\$ 49,716</u></u>	<u><u>\$ 4,704,741</u></u>	<u><u>\$ 4,482,891</u></u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Accumulated remeasurement gains (losses), beginning of year	\$ 13,022	\$ (160,979)
Unrealized gains attributable to: Interest rate swaps	<u>79,900</u>	<u>174,001</u>
Accumulated remeasurement gains, end of year	<u><u>\$ 92,922</u></u>	<u><u>\$ 13,022</u></u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 221,850	\$ 217,174
Adjustments for		
Amortization	<u>297,694</u>	<u>310,702</u>
	519,544	527,876
Change in non-cash working capital components:		
Accounts receivable	1,052,370	(188,993)
Prepaid expenses	724,211	(777,143)
Accounts payable and accrued liabilities	(59,483)	(3,674)
Due to Province of Ontario	(1,748,432)	(1,333,043)
Due to Trust funds	<u>64,651</u>	<u>(5,850)</u>
	<u>552,861</u>	<u>(1,780,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investments	<u>26,545</u>	<u>(132)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(443,000)</u>	<u>(429,000)</u>
INCREASE (DECREASE) IN CASH	136,406	(2,209,959)
CASH, beginning of year	<u>1,395,653</u>	<u>3,605,612</u>
CASH, end of year	<u><u>\$ 1,532,059</u></u>	<u><u>\$ 1,395,653</u></u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
SCHEDULE OF REVENUE AND EXPENDITURES - OTHER FUNDS
YEAR ENDED MARCH 31, 2023
SCHEDULE 1

	Ontario Education Externally Restricted	Designated Donations - North Hastings Externally Restricted	Other Ministry Programs Externally Restricted(Sche dule 2)	Hastings Treasurer's Account Internally Restricted	Total Restricted Funds
REVENUE					
Revenue	\$ 75,000	\$ -	\$ 331,274	\$ 464	\$ 406,738
Less: funding adjustment	(15,485)	-	-	-	(15,485)
	<u>59,515</u>	<u>-</u>	<u>331,274</u>	<u>464</u>	<u>391,253</u>
EXPENDITURES					
	<u>25,284</u>	<u>148</u>	<u>331,274</u>	<u>27,009</u>	<u>383,715</u>
EXCESS (DEFICIENCY) OF REVENUE OVER					
EXPENDITURES	34,231	(148)	-	(26,545)	7,538
BALANCE, BEGINNING OF YEAR	<u>15,485</u>	<u>148</u>	<u>-</u>	<u>26,545</u>	<u>42,178</u>
BALANCE, END OF YEAR	<u>\$ 49,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,716</u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
SCHEDULE OF REVENUE AND EXPENDITURES
- OTHER MINISTRY PROGRAMS
YEAR ENDED MARCH 31, 2023
SCHEDULE 2

	Independent Living	Pay Equity	Education Liaison	Wrap Around Program	Total
REVENUE					
MCCSS approved funding	\$ 68,082	\$ 3,341	\$ 105,051	\$ 124,800	\$ 301,274
Other revenue	-	-	-	30,000	30,000
	<u>68,082</u>	<u>3,341</u>	<u>105,051</u>	<u>154,800</u>	<u>331,274</u>
EXPENDITURES					
Salaries and benefits	68,082	3,341	-	140,339	211,762
Travel	-	-	-	12,350	12,350
Training	-	-	-	250	250
Professional services client	-	-	105,051	-	105,051
Office administration	-	-	-	1,006	1,006
Technology	-	-	-	468	468
Promotion and publicity	-	-	-	387	387
	<u>68,082</u>	<u>3,341</u>	<u>105,051</u>	<u>154,800</u>	<u>331,274</u>
EXCESS OF REVENUE OVER EXPENDITURES	<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, 2023
SCHEDULE 3

	<u>2023</u>	<u>2022</u>
REVENUE		
Partner agencies	<u>\$ 2,245,319</u>	<u>\$ 2,278,606</u>
EXPENDITURES		
Salaries	1,356,766	1,376,971
Benefits	391,054	391,016
Travel	91,450	81,342
Training	14,964	28,032
Building occupancy	94,172	84,802
Professional services client	23,282	33,812
Client personal needs	4,106	4,290
Promotion and publicity	5,793	4,108
Office administration	17,402	15,945
Miscellaneous	219,147	215,703
Technology	<u>32,575</u>	<u>47,876</u>
	2,250,711	2,283,897
Expenditure recovery	<u>(5,392)</u>	<u>(5,291)</u>
	<u>2,245,319</u>	<u>2,278,606</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying Notes)

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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.

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, 2023

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, in the case where a financial asset or financial liability is subsequently measured at amortized cost, the amount of transaction costs directly attributable to the instrument.

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 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, 2023

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 68% are current with the remaining 32% 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, 2023

(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

Investments consist of the following:

	<u>2023</u>	<u>2022</u>
Internally restricted funds		
Treasurer's Account - savings account	<u>\$ -</u>	<u>\$ 26,545</u>

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2023</u>		<u>2022</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Land	\$ 658,212	\$ -	\$ 658,212
Buildings	13,961,422	7,163,922	6,797,500
Furniture, fixtures and equipment	1,616,367	1,603,028	13,339
Leasehold improvements	65,000	65,000	-
Paving and parking lot	276,834	266,334	10,500
Computer software and hardware	339,787	339,787	-
	<u>\$ 16,917,622</u>	<u>\$ 9,438,071</u>	<u>\$ 7,479,551</u>
			<u>\$ 7,777,245</u>

6. 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>\$ (443,000)</u>	<u>\$ 443,000</u>	<u>\$ -</u>

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

7. DUE TO TRUST FUNDS

The Society holds certain funds in trust that are received for children in care of the Society. The Society receives the Children's Special Allowance (CSA) 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 Ontario government, a portion of the CSA must be invested in Registered Education Savings Plans (RESP) for each individual child for which it is received with the Society as the subscriber. This portion of the CSA to be invested into an RESP is equivalent to the Universal Child Care Benefit (UCCB) that existed prior to July 1, 2016. The UCCB was discontinued in favour of the Canada Child Tax Benefit; in lieu of the CCTB, the Society receives the CSA. The remainder of the CSA received is included in non-retainable revenues. 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. These accounts are not reflected in the financial statements. The OCBE savings accounts are held in a pooled savings account while the OCBE activities funds are maintained in the Society general bank account. UCCB funds are transferred to the RESP for the child shortly after receipt but there are occasional delays in getting RESP accounts set up for new children in care. The Society occasionally receives other funds that are specific to a child in care; these funds are maintained in separate savings accounts in trust for the child and can be used to pay for items benefitting the child and any remaining funds will be transferred to the child or their guardian upon leaving care of the Society.

The balance due to Trust funds include the OCBE activities amounts, any OCBE savings amounts to be transferred to the pooled savings account and UCCB amounts to be transferred to the RESP. The detail of the funds payable are as follows:

	<u>2023</u>	<u>2022</u>
Trust funds held by Society		
Universal Child Care Benefit	\$ 207,075	\$ 144,451
Ontario Child Benefit equivalent - activities	234,731	235,528
Ontario Child Benefit equivalent - savings	111,789	146,424
Children in Care Trust Funds	-	15,215
Funds held in segregated accounts		
Children in Care savings accounts	-	(15,215)
Ontario Child Benefit equivalent savings account	(118,046)	(155,505)
Amount owed from General Fund to Trust Funds	<u>\$ 435,549</u>	<u>\$ 370,898</u>

As of March 31, 2023, RESP accounts with a value of \$1,566,036 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
NOTES TO FINANCIAL STATEMENTS
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8. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
Bankers acceptance, interest at Royal Bank MBA 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. 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.	\$ 663,000	\$ 862,000
Bankers acceptance, interest at Royal Bank MBA 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>1,828,000</u>	<u>2,072,000</u>
	2,491,000	2,934,000
Less current portion	<u>461,000</u>	<u>443,000</u>
	<u>\$ 2,030,000</u>	<u>\$ 2,491,000</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 Dumas Street West, Belleville.

Future principal repayments are estimated to be as follows:

	<u>2023</u>
2024	\$ 461,000
2025	479,000
2026	496,000
2027	272,000
2028	278,000
Thereafter	<u>505,000</u>
	<u>\$ 2,491,000</u>

Interest expense of \$94,255 (2022 - \$111,250) has been included in building occupancy costs on the Statement of Operations.

HIGHLAND SHORES CHILDREN'S AID SOCIETY
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9. 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, 2023 the notional principal of this agreement was \$663,000 (2022- \$862,000) 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, 2023 the notional principal of this agreement was \$1,828,000 (2022 - \$2,072,000) and the notional principal is being reduced quarterly in a systematic manner until the contract matures on October 21, 2029.

The combined notional principal as at March 31, 2023 was \$2,491,000 (2022 - \$2,934,000).

As at March 31, 2023, the net combined fair values of the interest rate swaps is an asset (liability) as follows:

	<u>2023</u>	<u>2022</u>
First swap agreement	\$ (7,696)	\$ (39,534)
Second swap agreement	<u>100,618</u>	<u>52,556</u>
	<u>\$ 92,922</u>	<u>\$ 13,022</u>

10. COMMITMENTS

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

2024	\$ 287,847
2025	187,318
2026	138,616
2027	37,691
2028	37,028

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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 2023 was \$1,739,192 (2022 - \$1,827,934) for current service cost and is included in the Statement of Operations.

The OMERS plan has a reported \$6.7 billion actuarial deficit at December 31, 2022 (2021 - \$3.1 billion), and actuarial liabilities of \$128.8 billion (2021 - \$119.3 billion).

12. ECONOMIC DEPENDENCE

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

13. 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 \$26.6 million at March 31, 2023. Additionally, the Society has been named as a co-defendant, along with the Province and other child welfare agencies, in a class action claim for \$50 million that has yet to be certified. The Society and its predecessors maintained liability insurance with varying coverage including subpolicies for some of 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.

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
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14. PROVINCE OF ONTARIO CHILD WELFARE FUNDING

Province of Ontario Child Welfare Funding consists of the following:

	<u>2023</u>	<u>2022</u>
Approved funding for the year	\$ 36,471,176	\$ 37,064,255
Consistency of care funding adjustment	42,500	(122,400)
Subsidy funding adjustment	15,191	(1,294)
Kinship financial assistance	75,407	22,203
Balanced Budget Fund utilized	1,696,356	-
TPAR repayable for current year	<u>-</u>	<u>(1,127,567)</u>
	<u>\$ 38,300,630</u>	<u>\$ 35,835,197</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. 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 requested and received Ministry approval to use \$1,995,705 from the Balanced Budget Fund to offset the projected deficit in the current year. However, its actual funding deficit was only \$1,696,356. The Society is expected to receive this amount as additional funding from the Balanced Budget Fund and this has been recognized as revenue of the General Fund for the year. However, the Balanced Budget Fund will be reduced by the \$1,995,705 requested. The Balanced Budget Funds are not recognized in the financial statements until they are utilized. The Balanced Budget Fund has a three year expiry on the funds from the date they were generated. Expiration is as follows:

2024 (generated from 2021 surplus)	\$ 632,671
2025 (generated from 2022 surplus)	<u>563,784</u>
	<u>\$ 1,196,455</u>

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

15. PRIOR PERIOD ADJUSTMENT

As described in note 14, the Ministry of Community and Social Services maintains a Balanced Budget Fund from prior year surplus funding that was repayable by the Society as part of the annual expenditure reconciliation process. The Society can access these funds in years with a funding shortfall under certain conditions described in note 13 and each year's surplus expires if not used within 3 fiscal years. When the program was initiated in the March 31, 2014 fiscal year, the Society adopted a policy to record the Balanced Budget Fund as an externally restricted asset with additions to the Fund being recorded as externally restricted revenue and usage of the Fund or expiry of the fund as an externally restricted expenditure. Based on a review of the program, the Society changed its policy to not show the Balanced Budget Fund as an externally restricted asset of the Society, due to uncertainty about the ability to access the funds prior to expiry. This change has been applied retroactively and comparative figures restated. As a result, opening fund balances for the year ended March 31, 2023 have decreased by \$3,192,160 and opening fund balances for the year ended March 31, 2022 have decreased by \$3,904,830. Comparative figures for the year ended March 31, 2022 have been restated as follows:

	Previously Stated	Amount of change	Restated
Non-current asset - Balanced Budget Fund	\$ 3,192,160	\$ (3,192,160)	\$ -
Fund Balances - Externally Restricted	3,207,393	(3,192,160)	15,233
Revenue - Other Funds	903,706	(563,784)	339,922
Expenditures - Other Funds	1,635,852	(1,276,454)	359,398
Excess (deficiency) of Revenue over Expenditures	(495,496)	712,670	217,174

As disclosed in Note 7, the Society holds fund in trust for children in care. The Society previously reflected these funds on the Statement of Financial Position under Other Funds with segregated assets shown as an asset and the trust fund balances as a liability with the difference as an interfund payable between the General Fund and Other Funds. From a review, it was determined that this presentation was not in compliance with Public Sector Accounting Standards, and as such, the Society has removed these amounts from the statements on a retroactive basis and recorded a balance owing to the trust funds from the General fund. This had no impact on the opening fund balances for the March 31, 2023 or March 31, 2022 years but the following comparative figures have been restated:

	Previously Stated	Amount of change	Restated
Non-current assets - Investments	\$ 197,265	\$ (170,720)	\$ 26,545
Current liabilities - Due to Trust Funds	-	370,898	370,898
Long-term liabilities - Trust Fund balances	541,618	(541,618)	-

HIGHLAND SHORES CHILDREN'S AID SOCIETY
NOTES TO FINANCIAL STATEMENTS
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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. The Society's percentage share of the net expenditures for 2023 is 44% (2022 - 44%). Included in TFC miscellaneous expense is an administration fee charged by the Society to the TFC program of \$218,292. The Society has recognized \$121,596 of the administration fee as expenditure recovery of the General Fund on the Statement of Operations representing the portion of the administration fee apportioned to the other two agencies.