

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**

Financial Statements  
for the Year Ended March 31, 2021  
and Independent Auditor's Report to the Directors

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

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CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

**To the Directors of  
The Children's Aid Society of the Niagara Region  
(Operating as Family and Children's Services Niagara):**

### **Opinion**

We have audited the accompanying financial statements of The Children's Aid Society of the Niagara Region (the Society), which comprise the statement of financial position as at March 31, 2021 and the statements of operations - operating fund - child welfare, statement of operations - community programs and special projects, changes in fund balances - operating fund, operations and fund balance - private and capital fund and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Children's Aid Society of the Niagara Region as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

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.

*Durward Jones Barkwell + Company LLP*

**Durward Jones Barkwell & Company LLP**  
**Licensed Public Accountants**

June 11, 2021



**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF OPERATIONS - OPERATING FUND - CHILD WELFARE**  
**YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>		
Province of Ontario (Note 9)	\$ 48,542,549	\$ 47,891,671
Funding adjustments (Note 10)	(1,339,441)	(230,464)
	<b>47,203,108</b>	47,661,207
<b>EXPENDITURE</b>		
Salaries	21,699,595	21,726,126
Employee benefits	6,194,544	6,035,268
Travel	486,056	1,664,166
Training	69,445	99,157
Building occupancy	1,515,593	1,221,197
Non-client purchased professional services	138,942	196,629
Boarding rate payments	12,076,812	13,643,414
Client purchased professional services	932,084	726,797
Client personal needs (Note 9)	1,031,176	1,314,196
Health and related expenses	525,086	656,193
Financial assistance	336,271	171,107
Permanency subsidies	1,623,898	1,558,778
Promotion and publicity	54,672	38,069
Technology	329,183	224,963
Office and administration expense	428,864	295,411
Other miscellaneous	358,761	364,036
	<b>47,800,982</b>	49,935,507
<b>EXPENDITURE RECOVERIES AND NON-RETAINABLE INCOME</b>		
Rebates	304,906	195,014
Supervision recoveries	156,431	70,029
Maintenance from parents	41,770	27,154
Special allowances	1,738,332	1,874,213
Interest earned	19,923	35,460
Other income	61,606	74,783
	<b>2,322,968</b>	2,276,653
Net expenses	<b>45,478,014</b>	47,658,854
<b>OPERATING EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ 1,725,094</b>	<b>\$ 2,353</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF OPERATIONS - COMMUNITY PROGRAMS AND SPECIAL PROJECTS**  
**YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>REVENUE</b>		
Province of Ontario	\$ 1,237,919	\$ 1,137,828
Regional Municipality of Niagara	1,021,515	1,642,713
United Way of Niagara	138,052	134,484
Funding adjustments (Note 10)	(2,913)	(100,151)
Other	1,168,958	900,030
	<b>3,563,531</b>	3,714,904
<b>EXPENDITURE (EXCLUDING CAPITAL FUND TRANSFERS)</b>	<b>3,286,361</b>	3,573,543
<b>OPERATING EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ 277,170</b>	\$ 141,361

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
 (Operating as Family and Children's Services Niagara)  
 STATEMENT OF CHANGES IN FUND BALANCES - OPERATING FUND  
 YEAR ENDED MARCH 31, 2021

	<u>Child Welfare</u>		<u>Community Programs and Special Projects</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
FUND BALANCE, BEGINNING OF YEAR	\$ (7,613,695)	\$ (7,457,880)	\$ 83,711	\$ (35,906)	\$ (7,529,984)	\$ (7,493,786)
EXCESS OF REVENUE OVER EXPENDITURE	1,725,094	2,353	277,170	141,361	2,002,264	143,714
TRANSFERS TO PRIVATE AND CAPITAL FUND (Note 13)	(1,719,773)	(158,168)	(31,155)	(21,744)	(1,750,928)	(179,912)
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (7,608,374)</b>	<b>\$ (7,613,695)</b>	<b>\$ 329,726</b>	<b>\$ 83,711</b>	<b>\$ (7,278,648)</b>	<b>\$ (7,529,984)</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
STATEMENT OF OPERATIONS AND FUND BALANCE - PRIVATE AND CAPITAL FUND  
YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
<b>SUPPORT AND REVENUE</b>		
Unrestricted		
Interest	\$ 733	\$ 3,045
<b>EXPENDITURE</b>		
Capital		
Depreciation	1,081,407	974,372
Interest on loan payable	73,133	27,085
	<b>1,154,540</b>	1,001,457
	<b>(1,153,807)</b>	(998,412)
<b>LOSS ON DISPOSAL OF CAPITAL ASSETS</b>	<b>(20,417)</b>	(6,368)
<b>DEFICIENCY OF SUPPORT AND REVENUE OVER EXPENDITURE</b>	<b>(1,174,224)</b>	(1,004,780)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,452,181</b>	5,277,049
<b>TRANSFERS FROM OPERATING FUND (Note 13)</b>	<b>1,750,928</b>	179,912
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,028,885</b>	\$ 4,452,181

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
 (Operating as Family and Children's Services Niagara)  
 STATEMENT OF FINANCIAL POSITION  
 MARCH 31, 2021

	<u>Operating Fund</u>		<u>Private and Capital Fund</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ 2,385,761	\$ 894,137	\$ 163,658	\$ 162,926	\$ 2,549,419	\$ 1,057,063
Accounts receivable (Note 2)	1,690,736	1,053,246	-	-	1,690,736	1,053,246
Prepaid expenses	712,248	469,906	-	-	712,248	469,906
Due from Private Fund (Note 3)	163,658	-	-	-	163,658	-
	<b>4,952,403</b>	2,417,289	<b>163,658</b>	162,926	<b>5,116,061</b>	2,580,215
<b>Capital assets</b> (Note 4)	-	-	<b>5,028,885</b>	4,839,686	<b>5,028,885</b>	4,839,686
	<b>\$ 4,952,403</b>	\$ 2,417,289	<b>\$ 5,192,543</b>	\$ 5,002,612	<b>\$ 10,144,946</b>	\$ 7,419,901
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued charges (Note 6)	\$ 7,571,751	\$ 5,549,073	\$ -	\$ -	\$ 7,571,751	\$ 5,549,073
Due to Operating Fund (Note 3)	-	-	163,658	-	163,658	-
Current portion of loan payable	-	-	-	50,182	-	50,182
	<b>7,571,751</b>	5,549,073	<b>163,658</b>	50,182	<b>7,735,409</b>	5,599,255
<b>Retirement benefit obligation</b> (Note 7)	<b>4,659,300</b>	4,398,200	-	-	<b>4,659,300</b>	4,398,200
<b>Loan payable</b>	-	-	-	500,249	-	500,249
<b>Contingencies and commitments</b> (Note 8)	<b>12,231,051</b>	9,947,273	<b>163,658</b>	550,431	<b>12,394,709</b>	10,497,704
<b>Fund balances</b>						
Child Welfare (Note 9)	(7,608,374)	(7,613,695)	-	-	(7,608,374)	(7,613,695)
Community Programs and Special Projects	329,726	83,711	-	-	329,726	83,711
Invested in capital assets	-	-	5,028,885	4,289,255	5,028,885	4,289,255
Unrestricted	-	-	-	162,926	-	162,926
	<b>(7,278,648)</b>	(7,529,984)	<b>5,028,885</b>	4,452,181	<b>(2,249,763)</b>	(3,077,803)
	<b>\$ 4,952,403</b>	\$ 2,417,289	<b>\$ 5,192,543</b>	\$ 5,002,612	<b>\$ 10,144,946</b>	\$ 7,419,901

Approved by the Board:



Director



Director

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of support and revenue over expenditure		
Operating Fund	\$ 1,725,094	\$ 2,353
Community Programs	277,170	141,361
Private and Capital Fund	(1,174,224)	(1,004,780)
	<b>828,040</b>	(861,066)
Items not affecting cash		
Depreciation	1,081,407	974,372
Loss on disposal of capital assets	20,417	6,368
	<b>1,929,864</b>	119,674
Changes in non-cash working capital balances		
Accounts receivable - Operating Fund	(637,490)	660,899
Prepaid expenses - Operating Fund	(242,342)	(69,287)
Accounts payable and accrued charges - Operating Fund	2,022,678	(624,664)
	<b>3,072,710</b>	86,622
<b>CAPITAL ACTIVITY</b>		
Purchase of capital assets - Private and Capital Fund	(1,291,023)	(104,765)
<b>FINANCING ACTIVITIES</b>		
Increase of retirement benefit obligation	261,100	243,500
Repayments of loan payable - Private and Capital Fund	(550,431)	(48,061)
	<b>(289,331)</b>	195,439
<b>INCREASE IN CASH</b>	<b>1,492,356</b>	177,296
<b>CASH, BEGINNING OF YEAR</b>	<b>1,057,063</b>	879,767
<b>CASH, END OF YEAR</b>	<b>\$ 2,549,419</b>	<b>\$ 1,057,063</b>

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021

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## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

### ***Basis of accounting***

These financial statements 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 ("PSAB for Government NPOs").

### ***Purpose of the Society***

The Children's Aid Society of the Niagara Region is a charitable organization which provides child welfare services, including child protection, family assistance, parental relief, foster care, group care, adoption programs and a variety of special and child care projects while also supporting the autonomy and integrity of the family through other programs. The Society was incorporated as a corporation without share capital in Ontario under Letters Patent on January 6, 1969. The Society is exempt from federal and provincial income taxes.

### ***Fund accounting***

The Society follows the restricted fund method of accounting whereby financial statement elements are reported by fund. Resources are classified for accounting and reporting purposes by the activity or objective specified. The restricted fund has stipulations that specify how resources must be used. External restrictions have been stipulated by an arm's-length third party. Unrestricted funds have no such stipulations. Internal restrictions have been applied by the Directors of the Society.

The Operating Fund reports the Society's unrestricted day-to-day delivery of services and activities including child welfare, special projects and their administration. Child Welfare activities are carried out under the Child and Family Services Act.

The Private and Capital Fund reports specific activities and accounts for all the Society's capital assets. The revenues generated by this fund are used for purposes designated by the donors and/or the Directors of the Society.

### ***Revenue recognition***

The Society follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate restricted fund in the year received or receivable. Unrestricted contributions are recognized as revenue of the unrestricted fund when the contribution is received or receivable. Revenues and expenditures are recorded on an accrual basis for all funds.

### ***Funding***

Under the Child and Family Services Act and the regulations thereto, The Children's Aid Society of the Niagara Region is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services (MCCSS). These financial statements reflect agreed funding arrangements approved by MCCSS with respect to the year ended March 31, 2021. The Society has also signed an accountability agreement with the Province of Ontario that sets out the rights and obligations of the parties in respect of funding provided to the Society by the Province of Ontario in effect for the year ended March 31, 2021.

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2021

***Capital assets***

The Society's capital assets consist of land, buildings, equipment, computer hardware and software, vehicles and leasehold improvements and are recorded at acquisition cost. Depreciation is recorded on a straight-line basis over the assets' estimated useful lives, which are as follows:

Buildings	20 years
Equipment	5 - 10 years
Computer hardware	2 years
Computer software	1 year
Vehicles	3 years
Leasehold improvements	10 years

***Long-lived assets***

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

***Pensions***

Pension costs for current service are charged to expenditure on a current basis.

***Employee future benefits***

The Society pays certain benefits of its eligible retired employees including health benefits, dental benefits, life insurance and travel benefits. Eligible retired employees include those age 55 or older, who retire with 20 or more years of continuous service and who immediately upon taking such retirement receives a pension from OMERS. The employee will maintain these benefits until the employee reaches the age 65, stops receiving an OMERS pension or dies, whichever occurs first. The determination of the accrued benefit obligation was determined using the projected benefit method pro-rated on service.

***Contributed materials and services***

The Society receives contributed materials and services which are not recognized in the financial statements because of the difficulty in determining fair value.

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021

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**Financial instruments**

**(a) Measurement of financial instruments**

The Society initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, transaction costs that are directly attributed to the instrument.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost using the effective interest rate method less any impairment losses on financial assets.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued charges and loan payable.

**(b) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

**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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets and the determination of their useful lives, revenue recognition, estimation of future employee benefits, program and fund allocations, surplus repayment, accrued liabilities, contingent liabilities and allowances for accounts receivable.

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**2. ACCOUNTS RECEIVABLE**

	<u>2021</u>	<u>2020</u>
HST recoverable	\$ 538,531	\$ 272,504
Province of Ontario	681,327	484,654
Other Society wards	26,510	30,462
Miscellaneous	444,368	265,626
	<b>\$ 1,690,736</b>	<b>\$ 1,053,246</b>

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**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021

### 3. INTER-FUND BALANCES

The amounts due between the Operating Fund and the Private and Capital Fund are non-interest bearing and are due on demand.

### 4. CAPITAL ASSETS

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,076,670	\$ -	\$ 1,076,670	\$ -
Buildings	13,629,748	10,706,162	13,367,525	10,141,912
Equipment	8,190,422	7,478,792	8,766,613	8,256,729
Computer hardware	1,248,554	973,321	699,494	694,027
Computer software	270,327	270,327	256,418	256,418
Vehicles	132,180	106,896	130,579	130,579
Leasehold improvements	72,760	56,278	72,760	50,708
	<b>24,620,661</b>	<b>19,591,776</b>	24,370,059	19,530,373
		<b>\$ 5,028,885</b>		<b>\$ 4,839,686</b>

### 5. DEMAND LOAN FACILITY

The Society has available a \$1,500,000 revolving demand loan facility. The revolving demand loan carries interest at Royal Bank prime rate and is secured by land and buildings in St. Catharines, Ontario and Niagara Falls, Ontario with net book values of approximately \$3,700,000. At March 31, 2021, the Society's revolving demand loan balance was \$Nil (2020 - \$Nil). The Society also has available a lease line of credit and a Visa credit facility in the amount of \$350,000 and \$125,000 respectively.

### 6. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2021</u>	<u>2020</u>
Trade payables and accruals	\$ 2,086,306	\$ 1,520,816
Accrued wages and benefits	2,811,144	2,552,678
Boarding home payments	808,124	868,659
Other programs	85,744	163,688
Professional fees	44,786	41,568
Balanced Budget Fund	1,564,047	230,464
Current portion of retirement benefit obligation (Note 7)	171,600	171,200
	<b>\$ 7,571,751</b>	<b>\$ 5,549,073</b>

Included in accounts payables and accrued charges is \$577,500 (2020 - \$556,233) of government remittances.

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
**(Operating as Family and Children's Services Niagara)**  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2021

**7. RETIREMENT BENEFIT OBLIGATION**

	<u>2021</u>	<u>2020</u>
Retirement benefit obligation	\$ 4,830,900	\$ 4,569,400
Less amounts due within one year	171,600	171,200
	<b>\$ 4,659,300</b>	<b>\$ 4,398,200</b>

The Society continues to provide life insurance, dental, travel and health care benefits to eligible retired employees as disclosed in Note 1. The benefit costs and liabilities related to this plan have been included in the financial statements. Current year benefit costs of \$278,500 and the interest expense on the obligation of \$154,200 are included in the statement of operations of the operating fund as employee benefits. Benefit payments of \$171,200 were made during the year.

The Society uses a March 31 measurement date for valuing post employment benefits with the most recent actuarial valuation performed for the fiscal year ended March 31, 2019. The expected average remaining service life to retirement is 17 years. As of March 31, 2021 the unamortized actuarial gain is \$90,700. The main actuarial assumptions employed for the valuation are as follows:

**Interest (discount rate):** The obligation as at March 31, 2021 of the present value of future liabilities was determined using a rate of 3.30% and the expense for the year ended was determined using a discount rate of 3.30%.

**Extended Health Care:** Extended Health Care costs have been estimated at 5.25% per annum which represents the Long-Term Health Care Cost Trends in Canada.

**Dental costs:** Dental costs have been estimated at 3.00% per annum which represents the Long-Term Health Care Cost Trends in Canada.

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION**  
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NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021

## 8. CONTINGENCIES AND COMMITMENTS

- (a) The operating results of the Society are subject to review by the Ministry of Children, Community and Social Services of Ontario. Any funding adjustments which may result from any review will be made during subsequent years and will be accounted for as a current year revenue adjustment.

The on-going operations of the Society are dependent on the continued financial support of the Province of Ontario.

- (b) The Society makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates range from 9.0% to 14.6% depending on the level earnings. Expenditures for 2021 include \$2,146,092 for contributions to March 31, 2021 (2020 - \$2,154,994) which are included in the statement of operations.

- (c) The Society has a self insured short term disability plan which specifies the amount of short term disability benefits to be received by the employees while on sick leave. As at March 31, 2021 amounts outstanding totalled \$89,219. These costs have been recorded in the financial statements.
- (d) The Society leases equipment and premises under operating lease agreements with various lease terms. The minimum lease payments under the terms of these leases are:

	<u>Equipment</u>	<u>Premises</u>
Years ending March 31, 2022	\$ 28,673	\$ 149,101
2023	3,738	130,409
2024	2,803	134,273
2025	-	136,688
2026	-	138,620
	<u>\$ 35,214</u>	<u>\$ 689,091</u>

- (e) The Society is currently involved in legal actions. These actions are at various stages and are being dealt with by internal and external counsels along with the Society's insurance provider. Internal and external legal counsels to the Society are unable to assess the Society's potential liabilities, if any, in these legal actions. Presently there are no claims which exceed the insurance coverage of the Society.

## 9. ONTARIO CHILD BENEFIT EQUIVALENT POOLED FUND

The Society receives funding from the Province of Ontario that is to be used to provide opportunities for all youth in care up to 17 years old, to participate in recreational, educational, cultural and social activities. A portion of the funds are to be used to establish savings accounts for eligible youth in care, ages 15 to 17 years old, to build their financial assets to better prepare them to transition from care to independent living.

The revenue, expenses and fund balance relating to this program are included in the operating fund of the Society. Specifically, included in revenue is \$399,621 (2020 - \$468,253), included in client personal needs expense is \$292,153 (2020 - \$445,240) and included in Child Welfare fund balance is \$482,363 (2020 - \$374,895). The overall fund balance of \$482,363 is comprised of a savings fund surplus of \$291,691 and an activity fund surplus of \$190,672.

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## 10. FUNDING ADJUSTMENTS

During the current year, the Society recognized a payable of \$1,564,047 (2020 - \$230,464) to the Ministry of Children, Community and Social Services relating to Child Welfare funding from the current year's surplus (Balanced Budget Fund). During the year, the Society received \$224,606 (2020 - \$Nil) one-time funding with respect to the Ministry's structural debt assistance program. The Society also recognized a payable of \$2,121 (2020 - \$67,302) relating to clawback of Community Programs and Special Projects funding from the current year and repaid \$792 (2020 - \$32,849) relating to clawback of Community Programs and Special Projects funding from the prior year.

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## 11. BALANCED BUDGET FUND

In 2014, the Ministry of Children, Community and Social Services announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the newly announced balanced budget requirements that were outlined in the Ministry's Regulation 70. The Balanced Budget Fund process has been developed individually for each Children's Aid Society and will reflect the accumulated surplus that was returned to the Ministry each year, beginning in the 2013-2014 fiscal year. To be eligible to access these funds, the Society must meet two conditions:

- (1) the Society must have generated a prior year surplus recovered within the eligible timeframe that meets the definition of eligible contributions; and
- (2) the Society must require additional funding for eligible expenditures in a future year for child welfare operations in order that they will not incur a deficit. The required amount cannot exceed the total accumulated balanced budget fund surplus. If additional funding is not required, the funds may be applied against historical deficits incurred in or after 2013-2014.

In the prior fiscal year, the Society generated a surplus of \$230,464 that was payable to the Ministry of Children, Community and Social Services under the Ministry's Regulation 70 as noted above. The Ministry will allow each Children's Aid Society to carry over and accumulate eligible contributions up to a maximum of three consecutive years.

In 2020, the Ministry of Children, Community and Social Services revised the Balanced Budget Fund criteria to support sector financial sustainability while continuing to support societies in managing within their approved budget allocations. This change required organizations who achieve a surplus in 2020-2021 going forward, to first apply that surplus to any accumulated historical deficit. Organizations who have no historical deficit would be permitted to retain 50% of the surplus in their own Balanced Budget Fund, with the remaining 50% contributed to a Ministry-managed Balanced Budget Fund. Conditions required to access the society managed Balanced Budget Fund remain unchanged from the original regulations.

In the current year, the Society generated a surplus of \$1,564,047 which will entirely be put towards the Society's historical deficit from prior years. The Society has \$224,858 of remaining historical deficit that will need to be repaid under the new regulations before any contributions to the Society's Balanced Budget Fund can be made in the future.

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## **12. COMMUNITY PROGRAMS AND SPECIAL PROJECTS**

In addition to Child Welfare activities, the Society has responsibility to administer certain other projects. Community Programs currently under administration include Adult Protective and Family Services, Alternative Dispute Resolution, Child Witness, Community Capacity Building, Education Liaison, Family Counselling Centre, Family Violence Counselling, New Outlooks and Beginnings, Nursery Schools, Partner Assault Response, Special Needs Resourcing, and United Way Niagara. Special Projects include Capital and Facility Grants and other One Time Funding.

Individual special project surpluses or deficits in the Community Programs and Special Projects Fund Balances are subject to review. Adjustments for funding of a program or project deficit or repayment of a program or project surplus are recorded in the year that approval is granted.

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## **13. INTER-FUND TRANSFERS**

The net transfer to the Private and Capital Fund amounted to \$1,750,928 (2020 - \$179,912). Capital items transferred to the Private and Capital Fund amounted to \$1,127,365 (2020 - \$104,766) and cash transfers to the Private and Capital Fund amounted to \$623,563 (2020 - \$75,146).

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## **14. FINANCIAL RISK MANAGEMENT**

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk since changes in interest rates impact the Society's borrowing costs. The Society does not use any derivative instrument to reduce its exposure to interest rate risk. Interest rate risk is mitigated during the year as Provincial funding is advanced.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations and anticipated investing and financing activities. The Society has a short term bank financing facility in place should it be required to meet temporary fluctuations in cash requirements as well as funding arrangements in place with the MCCSS as described in Notes 1 and 5. As at March 31, 2021 the Society had cash of \$2,549,419 (March 31, 2020 - \$1,057,063) and unutilized line of credit of \$1,500,000 (March 31, 2020 - \$1,500,000). The Society expects that continued cash flows from operations in 2022 will be sufficient to fund requirements for investments in working capital.

It is management's opinion that the Society is not exposed to significant market, currency or credit risks arising from its financial instruments.

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### 15. RELATED PARTY TRANSACTIONS

The Society is related to the Niagara Foundation for Family and Children Services (the Foundation) since there are some common members of the Board of Directors between the two organizations. However, the Foundation is an independent organization that raises funds for the benefit of the Society. The Foundation is a charitable organization incorporated in Ontario.

The Foundation paid administration fees of \$143,191 (2020 - \$136,036) to the Society for rent, salaries and office expenses.

The Foundation transferred \$254,730 (2020 - \$182,043) to the Community Programs and Special Projects. All transfers were in the normal course of operations, and were at the exchange amount, being the amount agreed to between the related parties.

### 16. REGISTERED EDUCATION SAVINGS PLANS

Starting July 2006 the Society received a monthly \$100 Universal Child Care Benefit payment for every child in care under the age of six. A directive from the Ministry of Children, Community and Social Services (MCCSS) specified that these funds are required to be used towards establishing Registered Education Savings Plans (RESPs) for specific children in care. In July 2015, this program was modified to provide \$160 per month for every child under the age of six and \$60 per month for every child aged six through seventeen. The Society continues to fund the RESP at the current level of contributions until further directive from the MCCSS is received regarding changes to the Universal Child Care Benefit program.

The Society also participates in a research project established by the University of Ottawa. This program establishes RESPs for children in care who are in grades 3 through 6.

	<u>2021</u>	<u>2020</u>
<u>MCCSS Directive</u>		
Funds invested in RESPs, aggregate market value	\$ 3,188,727	\$ 2,488,466
Funds received, not yet invested in RESPs	356,782	613,817
<u>University of Ottawa Research Project</u>		
Funds invested in RESPs, aggregate market value	9,772	12,339
	<b>\$ 3,555,281</b>	<b>\$ 3,114,622</b>

These amounts which are held in trust for qualified children, have not been reflected in the financial statements as the funds are not assets of the Society.

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**17. COVID-19**

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses and organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses and organizations worldwide, resulting in an economic slowdown.

The Society has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Society for future periods.

In response to the emergency declaration in Ontario related to COVID-19, the Society incurred additional costs of \$709,658. These costs are included in the Child Welfare Operating Fund in the Statement of Operations and Changes in Fund Balances.

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