

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, 2023
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, 2023

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CHARTERED
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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, 2023 and the statements of operations - operating fund - child welfare, statement of operations - community programs and special projects, changes in fund balances - operating fund, statement of operations - private and capital fund, changes in 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, 2023, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

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 14, 2023

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, 2023

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
REVENUE		
Province of Ontario	\$ 50,044,325	\$ 49,080,851
Funding adjustments (Note 13)	(135,298)	231,999
	49,909,027	49,312,850
EXPENDITURE		
Salaries	22,010,873	21,667,604
Employee benefits	6,714,545	6,445,881
Travel	844,834	757,308
Training	57,199	155,650
Building occupancy	1,739,814	1,541,911
Non-client purchased professional services	214,544	157,645
Boarding rate payments	12,743,468	11,423,655
Client purchased professional services	1,206,186	1,329,485
Client personal needs (Note 12)	1,429,194	1,149,910
Health and related expenses	842,197	678,134
Financial assistance	884,178	682,813
Permanency subsidies	1,745,914	1,673,033
Promotion and publicity	72,608	52,531
Technology	346,973	367,844
Office and administration expense	404,296	312,904
Other miscellaneous	187,658	173,080
	51,444,481	48,569,388
EXPENDITURE RECOVERIES AND NON-RETAINABLE INCOME		
Rebates	177,629	191,645
Supervision recoveries	90,160	107,970
Maintenance from parents	62,331	37,811
Special allowances	1,463,571	1,366,177
Interest earned	159,376	22,955
Other income	57,989	58,766
	2,011,056	1,785,324
Net expenses	49,433,425	46,784,064
OPERATING EXCESS OF REVENUE OVER EXPENDITURE	\$ 475,602	\$ 2,528,786

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, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Province of Ontario	\$ 1,783,250	\$ 1,307,131
Regional Municipality of Niagara	1,107,848	1,218,657
United Way of Niagara	134,781	135,954
Other	1,196,670	1,457,815
	4,222,549	4,119,557
EXPENDITURE (EXCLUDING CAPITAL FUND TRANSFERS)	4,109,790	3,767,284
OPERATING EXCESS OF REVENUE OVER EXPENDITURE	\$ 112,759	\$ 352,273

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, 2023

	<u>Child Welfare</u>		<u>Community Programs and Special Projects</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u> (restated) (Note 2)	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u> (restated) (Note 2)
FUND BALANCE, BEGINNING OF YEAR (as previously reported)	\$ (6,034,334)	\$ (7,608,374)	\$ 673,743	\$ 329,726	\$ (5,360,591)	\$ (7,278,648)
IMPACT OF CHANGE IN ACCOUNTING POLICY (Note 2)	(443,066)	(482,363)	-	-	(443,066)	(482,363)
FUND BALANCE, BEGINNING OF YEAR (as restated)	(6,477,400)	(8,090,737)	673,743	329,726	(5,803,657)	(7,761,011)
EXCESS OF REVENUE OVER EXPENDITURE	475,602	2,528,786	112,759	352,273	588,361	2,881,059
TRANSFERS TO PRIVATE AND CAPITAL FUND (Note 16)	(932,013)	(915,449)	(15,938)	(8,256)	(947,951)	(923,705)
FUND BALANCE, END OF YEAR	\$ (6,933,811)	\$ (6,477,400)	\$ 770,564	\$ 673,743	\$ (6,163,247)	\$ (5,803,657)

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
STATEMENT OF OPERATIONS - PRIVATE AND CAPITAL FUND
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
SUPPORT AND REVENUE		
Externally Restricted		
Amortization of deferred capital contributions	\$ 185,965	\$ 185,965
EXPENDITURE		
Capital		
Depreciation	843,778	919,010
	(657,813)	(733,045)
LOSS ON DISPOSAL OF CAPITAL ASSETS	-	(4,896)
DEFICIENCY OF SUPPORT AND REVENUE OVER EXPENDITURE	\$ (657,813)	\$ (737,941)

STATEMENT OF CHANGES IN FUND BALANCE - PRIVATE AND CAPITAL FUND
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
FUND BALANCE, BEGINNING OF YEAR (as previously reported)	\$ 5,028,684	\$ 5,028,885
ADJUSTMENT FOR RESTATEMENT (Note 2)	(1,755,551)	(1,941,516)
FUND BALANCE, BEGINNING OF YEAR (as restated)	3,273,133	3,087,369
DEFICIENCY OF SUPPORT AND REVENUE OVER EXPENDITURE	(657,813)	(737,941)
TRANSFERS FROM OPERATING FUND (Note 16)	947,951	923,705
FUND BALANCE, END OF YEAR	\$ 3,563,271	\$ 3,273,133

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
 (Operating as Family and Children's Services Niagara)
 STATEMENT OF FINANCIAL POSITION
 MARCH 31, 2023

	<u>Operating Fund</u>		<u>Private and Capital Fund</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u> (restated) (Note 2)	<u>2023</u>	<u>2022</u> (restated) (Note 2)	<u>2023</u>	<u>2022</u> (restated) (Note 2)
ASSETS						
Current assets						
Cash	\$ 4,202,114	\$ 2,652,308	\$ -	\$ -	\$ 4,202,114	\$ 2,652,308
Short-term investments (Note 3)	650,000	-	-	-	650,000	-
Accounts receivable (Note 4)	932,144	3,710,066	-	-	932,144	3,710,066
Prepaid expenses	722,440	655,469	-	-	722,440	655,469
	6,506,698	7,017,843	-	-	6,506,698	7,017,843
Capital assets (Note 5)	-	-	5,132,858	5,028,684	5,132,858	5,028,684
	\$ 6,506,698	\$ 7,017,843	\$ 5,132,858	\$ 5,028,684	\$ 11,639,556	\$ 12,046,527
LIABILITIES AND FUND BALANCES						
Current liability						
Accounts payable and accrued charges (Note 7)	\$ 6,941,162	\$ 7,439,334	\$ -	\$ -	\$ 6,941,162	\$ 7,439,334
Deferred revenue (Note 8)	489,283	443,066	-	-	489,283	443,066
Deferred capital contributions (Note 9)	-	-	1,569,587	1,755,551	1,569,587	1,755,551
Retirement benefit obligation (Note 10)	5,239,500	4,939,100	-	-	5,239,500	4,939,100
Contingencies and commitments (Note 11)	12,669,945	12,821,500	1,569,587	1,755,551	14,239,532	14,577,051
Fund balances						
Child Welfare (Note 12)	(6,933,811)	(6,477,400)	-	-	(6,933,811)	(6,477,400)
Community Programs and Special Projects	770,564	673,743	-	-	770,564	673,743
Invested in capital assets	-	-	3,563,271	3,273,133	3,563,271	3,273,133
	(6,163,247)	(5,803,657)	3,563,271	3,273,133	(2,599,976)	(2,530,524)
	\$ 6,506,698	\$ 7,017,843	\$ 5,132,858	\$ 5,028,684	\$ 11,639,556	\$ 12,046,527

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, 2023

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
OPERATING ACTIVITIES		
Excess (deficiency) of support and revenue over expenditure		
Operating Fund	\$ 475,602	\$ 2,528,786
Community Programs	112,759	352,273
Private and Capital Fund	(657,813)	(737,941)
	(69,452)	2,143,118
Items not affecting cash		
Depreciation	843,778	919,010
Amortization of deferred capital contributions	(185,965)	(185,965)
Loss on disposal of capital assets	-	4,896
	588,361	2,881,059
Changes in non-cash working capital balances		
Accounts receivable - Operating Fund	2,777,922	(2,019,330)
Prepaid expenses - Operating Fund	(66,971)	56,779
Accounts payable and accrued charges - Operating Fund	(498,172)	(132,417)
Deferred revenue - Operating Fund	46,217	(39,297)
	2,847,357	746,794
CAPITAL ACTIVITY		
Purchase of capital assets - Private and Capital Fund	(947,951)	(923,705)
FINANCING ACTIVITY		
Increase of retirement benefit obligation	300,400	279,800
INCREASE IN CASH	2,199,806	102,889
CASH, BEGINNING OF YEAR	2,652,308	2,549,419
CASH, END OF YEAR	\$ 4,852,114	\$ 2,652,308
CASH IS REPRESENTED BY:		
Cash	\$ 4,202,114	\$ 2,652,308
Short-term investments (Note 3)	650,000	-
	\$ 4,852,114	\$ 2,652,308

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

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 utilizes fund 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 deferral method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants received are deferred and amortized at a rate corresponding with the amortization rate for the related capital asset purchased. Deferred revenue represents funds advanced in excess of the related expenses for programs that end subsequent to the fiscal year end of the Society.

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, 2023. 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, 2023.

Short-term investments

Short-term investments are guaranteed investment certificates that are readily convertible to known amounts of cash upon maturity and are subject to an insignificant risk of changes in 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, 2023

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	3 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.

Financial instruments

(a) Measurement of financial instruments

Initial measurement

The Society initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Society is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Society in the transaction.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

Subsequent measurement

The Society subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

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

(b) Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(c) Impairment

For financial assets measured at cost or amortized cost, the Society determines whether there are indications of possible impairment. When there are, and the Society determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

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, allowances for accounts receivable and deferred capital contributions.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

2. CHANGE IN ACCOUNTING POLICY

During the year, the Society changed its policy of accounting for contributions from the restricted fund method to the deferral method. The change was made as it is believed that the deferral method provides a more relevant accounting of the assets, liabilities and fund balances of the Society and is in conjunction with the Ministry of Children, Community and Social Services consolidation reporting.

The change in accounting policy is applied on a retrospective basis, and accordingly fund balances at the beginning of the prior year, at April 1, 2021, have been restated and decreased by \$2,423,879, from (\$2,249,763) to (\$4,673,642).

The impact of the change in accounting policy and necessary restated figures for the prior year ended and as at March 31, 2022, are as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Statement of Operations - Operating Fund - Child Welfare			
For the year ended March 31, 2022			
Province of Ontario	\$49,041,554	\$ 39,297	\$49,080,851
Operating excess of revenue over expenditure	\$ 2,489,489	\$ 39,297	\$ 2,528,786
Statement of Operations - Private and Capital Fund			
For the year ended March 31, 2022			
Amortization of deferred capital contributions	\$ -	\$ 185,965	\$ 185,965
Deficiency of support and revenue over expenditure	\$ (923,906)	\$ 185,965	\$ (737,941)
At March 31, 2022			
Deferred revenue	\$ -	\$ (443,066)	\$ (443,066)
Deferred capital contributions	\$ -	\$ (1,755,551)	\$ (1,755,551)
Fund balance - Operating Fund - Child Welfare	\$ (6,034,334)	\$ (443,066)	\$ (6,477,400)
Fund balance - Private and Capital Fund	\$ 5,028,684	\$ (1,755,551)	\$ 3,273,133
Fund balances	\$ (331,907)	\$ (2,198,617)	\$ (2,530,524)

3. SHORT-TERM INVESTMENTS

The short-term investment consists of a Guaranteed Investment Certificate earning interest at 4.99% per annum and matures on May 29, 2023.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
HST recoverable	\$ 599,465	\$ 475,551
Province of Ontario	86,363	3,019,621
Other Society wards	20,553	30,238
Miscellaneous	225,763	184,656
	\$ 932,144	\$ 3,710,066

5. CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 1,076,670	\$ -	\$ 1,076,670	\$ -
Buildings	14,210,177	11,346,378	13,938,753	11,019,678
Equipment	8,031,730	7,123,172	7,786,910	6,958,619
Computer hardware	1,830,799	1,577,866	1,451,606	1,313,808
Computer software	328,232	328,232	278,284	278,284
Vehicles	167,546	144,163	164,980	109,011
Leasehold improvements	69,971	62,456	69,971	59,090
	25,715,125	20,582,267	24,767,174	19,738,490
		\$ 5,132,858		\$ 5,028,684

6. 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 \$3,500,000. At March 31, 2023, the Society's revolving demand loan balance was \$Nil (2022 - \$Nil). The Society also has available a lease line of credit and a Visa credit facility in the amount of \$350,000 and \$280,000 respectively.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2023</u>	<u>2022</u>
Trade payables and accruals	\$ 2,485,190	\$ 2,244,259
Accrued wages and benefits	2,795,311	2,763,348
Boarding home payments	1,236,872	606,350
Other programs	50,705	47,344
Professional fees	50,491	49,527
Balanced Budget Fund	129,693	1,556,906
Current portion of retirement benefit obligation (Note 10)	192,900	171,600
	\$ 6,941,162	\$ 7,439,334

Included in accounts payables and accrued charges is \$669,202 (2022 - \$595,132) of government remittances.

8. DEFERRED REVENUE

Deferred revenue represents funds advanced in excess of the related expenses for the Ontario Child Benefit Equivalent program that ends subsequent to the fiscal year end of the Society.

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
Balance, beginning of year	\$ 443,066	\$ 482,363
Revenue deferred (recognized) during the year	46,217	(39,297)
Balance, end of year	\$ 489,283	\$ 443,066

9. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2023</u>	<u>2022</u> (restated) (Note 2)
Capital contributions, asset value	\$ 3,719,291	\$ 3,719,291
Amortized contributions from prior years	(1,963,740)	(1,777,775)
Balance, beginning of year	1,755,551	1,941,516
Amortized contribution for the current year	(185,964)	(185,965)
Balance, end of year	\$ 1,569,587	\$ 1,755,551

Deferred capital contributions represent the unamortized amount of capital contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and fund balance - private and capital fund.

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10. RETIREMENT BENEFIT OBLIGATION

	<u>2023</u>	<u>2022</u>
Retirement benefit obligation	\$ 5,432,400	\$ 5,110,700
Less amounts due within one year	192,900	171,600
	\$ 5,239,500	\$ 4,939,100

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 \$297,800 and the interest expense on the obligation of \$173,600 are included in the statement of operations of the operating fund as employee benefits. Benefit payments of \$149,700 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, 2023. The expected average remaining service life to retirement is 17 years. As of March 31, 2023 the unamortized actuarial gain is \$493,200. The main actuarial assumptions employed for the valuation are as follows:

Interest (discount rate): The obligation as at March 31, 2023 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 4.90%.

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.

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11. 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 2023 include \$2,086,719 for contributions to March 31, 2023 (2022 - \$2,076,343) 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, 2023 amounts outstanding totalled \$64,014. 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, 2024	\$ 40,061	\$ 23,571
2025	37,258	-
2026	37,258	-
2027	37,258	-
2028	12,419	-
	\$ 164,254	\$ 23,571

- (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.

12. 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 deferred revenue relating to this program are included in the operating fund of the Society. Specifically, included in revenue is \$332,209 (2022 - \$319,688), included in client personal needs expense is \$332,209 (2022 - \$358,985) and included in deferred revenue is \$489,283 (2022 - \$443,066). The deferred revenue balance of \$489,283 represents program funding received in advance of expenditures and is comprised of a savings fund of \$225,824 and an activity fund of \$263,459, which is in accordance with the objectives of this program.

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13. FUNDING ADJUSTMENTS

During the current year, the Society recognized a payable of \$135,298 (2022 - \$1,556,906) 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 \$Nil (2022 - \$1,788,905) one-time funding from the Society's Balanced Budget Fund to offset historical deficit.

14. 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 \$1,556,906 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.

The current year surplus of \$135,298 will be contributed in equal parts to the Society's Balanced Budget Fund and the Ministry-managed Balanced Budget Fund.

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15. 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.

16. INTER-FUND TRANSFERS

The net transfer to the Private and Capital Fund amounted to \$947,951 (2022 - \$923,705). Capital items transferred to the Private and Capital Fund amounted to \$947,951 (2022 - \$923,705) and cash transfers to the Private and Capital Fund amounted to \$Nil (2022 - \$Nil).

17. 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 6. As at March 31, 2023 the Society had cash of \$4,202,114 (March 31, 2022 - \$2,652,308) and unutilized line of credit of \$1,500,000 (March 31, 2022 - \$1,500,000). The Society expects that continued cash flows from operations in 2024 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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18. 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 \$139,404 (2022 - \$144,042) to the Society for rent, salaries and office expenses.

The Foundation transferred \$196,624 (2022 - \$192,268) 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.

19. 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>2023</u>	<u>2022</u>
<u>MCCSS Directive</u>		
Funds invested in RESPs, aggregate market value	\$ 3,170,222	\$ 3,241,812
Funds received, not yet invested in RESPs	449,165	382,840
<u>University of Ottawa Research Project</u>		
Funds invested in RESPs, aggregate market value	4,796	7,049
	\$ 3,624,183	\$ 3,631,701

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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20. REGISTERED DISABILITY SAVINGS PLANS

In fiscal 2021, the Society received a Federal COVID one time \$600 support payment for persons with disabilities for every child in care with a disability. These funds were used towards establishing Registered Disability Savings Plans (RDSPs) for specific children in care.

	<u>2023</u>	<u>2022</u>
Funds invested in RDSPs, aggregate market value	\$ 373,394	\$ 326,050

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.

21. COVID-19

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an Society's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

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, 2023 have not been adjusted to reflect their impact. The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still 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.
