

Children's Aid Society of London & Middlesex
Financial Statements
Year ended March 31, 2023

Children's Aid Society of London & Middlesex

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For the year ended March 31, 2023

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To the To the Board of Children's Aid Society of London & Middlesex:

Opinion

We have audited the financial statements of Children's Aid Society of London & Middlesex (the "Organization"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, and changes in fund balances, 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 Organization 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.

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 Organization 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, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

London, Ontario

May 24, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Children's Aid Society of London & Middlesex

Statement of Financial Position

As at March 31, 2023

	Operating fund		Capital fund		Restricted funds		
	2023	2022	2023	2022	2023	2022	Total 2023
Assets							Total 2022
Current							
Cash	\$ -	\$ 1,479,846	\$ -	\$ -	\$ 950,688	\$ 980,136	\$ 2,459,982
Restricted cash (Note 5)	-	-	-	-	\$ 1,663,406	1,541,086	1,541,086
Accounts receivable	76,848	82,796	-	-	4,307	-	82,796
Due from Ministry of Children, Community and Social Services	1,514,157	1,496,284	-	-	-	-	1,496,284
Statutory government remittances receivable	430,878	367,745	-	-	-	-	367,745
Prepaid expenses	637,581	963,636	-	-	-	-	963,636
	2,659,463	4,390,307	-	-	2,618,401	2,521,222	6,911,529
Long term							
Property, buildings and equipment (Note 6)	-	-	3,538,334	3,911,053	-	-	3,911,053
	\$ 2,659,463	\$ 4,390,307	\$ 3,538,334	\$ 3,911,053	\$ 2,618,401	\$ 2,521,222	\$ 10,822,582

The accompanying notes are an integral part of these financial statements.

Children's Aid Society of London & Middlesex Statement of Financial Position

As at March 31, 2023

	Operating fund		Capital fund		Restricted funds		
	2023	2022	2023	2022	2023	2022	Total 2023
Liabilities							
Current							
Bank indebtedness (Note 7)	\$ 1,655,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,655,423
Accrued vacation pay	2,728,282	2,846,033	-	-	-	-	2,728,282
Accrued payroll	-	913,744	-	-	-	-	-
Other accounts payable and accrued liabilities	3,918,845	3,413,719	-	-	115,669	121,522	4,034,514
Statutory government remittances payable	370,125	148,387	-	-	-	-	370,125
Deferred revenue (Note 9)	-	-	-	-	198,364	150,121	198,364
RESP Funds in trust (Note 5)	-	-	-	-	1,107,799	1,014,469	1,107,799
VYSA - RESP Funds in trust (Note 5)	-	-	-	-	43,359	36,377	43,359
OCBe Funds in trust - savings program (Note 5)	-	-	-	-	512,248	490,240	512,248
	8,672,674	7,321,882	-	-	1,977,439	1,812,730	10,650,113
Accrued benefit obligation (Note 9)	1,285,375	1,186,733	-	-	-	-	1,285,375
	9,958,049	8,508,615	-	-	1,977,439	1,812,730	11,935,488
Fund balances							
Externally restricted (Note 10)	-	-	-	-	640,963	708,492	640,963
Accumulated surplus (deficit) (Note 11)	(7,298,586)	(4,118,308)	3,538,334	3,911,053	-	-	(3,760,252)
	(7,298,586)	(4,118,308)	3,538,334	3,911,053	640,963	708,492	(3,119,290)
	\$ 2,659,463	\$ 4,390,307	\$ 3,538,334	\$ 3,911,053	\$ 2,618,401	\$ 2,521,222	\$ 8,816,198
							\$ 10,822,582

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements.

Children's Aid Society of London & Middlesex

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2023

	Operating fund			Capital fund		Restricted funds		
	2023	2022		2023	2022	2023	2022	Total 2023
Revenue								
Government funding (Note 13)	\$ 56,647,445	\$ 55,746,215	\$	-	-	\$	-	\$ 56,647,445
Federal child benefits	1,095,144	1,289,774		-	-	-	-	1,095,144
Recharges, recoveries and other	501,065	559,961		-	-	-	-	501,065
Grant revenue	-	49,583		-	-	142,464	156,043	142,464
Contributions and fundraising	-	-		-	-	104,636	99,110	104,636
Interest	56,477	18,773		-	-	19,416	2,839	75,892
	58,300,131	57,664,307		-	-	266,516	257,992	58,566,646
Expenses								
Net expenses - operating fund (Schedule 1)	61,328,663	56,880,211		-	-	-	-	61,328,663
Grant expenses	-	-		-	-	161,880	158,908	161,880
Prevention programs and awards	-	-		-	-	174,307	167,093	174,307
Amortization	-	-		479,227	477,445	-	-	479,227
(Gain) Loss on disposal of property, building and equipment	-	-		43,096	(13,596)	-	-	43,096
	61,328,663	56,880,211		522,323	463,849	336,187	326,001	62,187,172
Excess (deficiency) of revenue over expenses	(3,028,532)	784,096		(522,323)	(463,849)	(69,671)	(68,009)	(3,620,526)
Fund balances, beginning of year	(4,118,308)	(4,741,955)		3,911,053	4,193,262	708,492	797,693	501,237
Interfund transfers (Note 14)	(151,746)	(160,449)		149,604	181,640	2,142	(21,192)	-
Fund balances, end of year	\$ (7,298,586)	\$ (4,118,308)		\$ 3,538,334	\$ 3,911,053	\$ 640,963	\$ 708,492	\$ (3,119,290)
								\$ 501,237

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex

Statement of Cash Flows

For the year ended March 31, 2023

	2023	2022
Operating activities		
Excess of revenues over expenditures for the year	\$ (3,620,526)	\$ 252,237
Less items not affecting cash		
Amortization of property, building and equipment	479,227	477,445
(Gain) loss on disposal of property, building and equipment	43,096	(13,596)
Increase (Decrease) in accrued benefit obligation	98,642	(22,721)
Net change in non-cash working capital balances (<i>Note 16</i>)	106,767	(1,443,832)
	(2,892,794)	(750,466)
Investing activities		
Proceeds from sale of property, building, and equipment	9,252	13,596
Acquisition of property, building and equipment	(158,854)	(195,236)
	(149,602)	(181,640)
Financing activities		
Increase in bank indebtedness	1,655,423	-
Decrease in cash	(1,386,974)	(932,106)
Cash, beginning of year	4,001,068	4,933,174
Cash, end of year	\$ 2,614,094	\$ 4,001,068
Cash consists of:		
Cash - Operating Fund	-	1,479,846
Cash - Capital Fund	-	-
Cash - Restricted Fund	\$ 950,688	\$ 980,136
Restricted Cash - Restricted Fund	1,663,406	1,541,086
	\$ 2,614,094	\$ 4,001,068

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

1. Purpose of the Organization

Funded by MCCSS ("MCCSS"), The Children's Aid Society of London & Middlesex (the "Organization") provides child welfare services mandated by the Child, Youth and Family Services Act. Services include child protection, investigations, ongoing protection and support services to families in the community as well as child and youth in care services (including foster, group and adoption placements).

The Organization is exempt from income taxes under section 149(1)(d) of the Canadian Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared by management of the Organization in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of "fund accounting". Under these principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

The operating fund accounts for the Organization's operating activities.

The capital fund accounts for the Organization's real estate activities and capital equipment. The balance in this fund represents the net investment in capital assets.

The restricted funds account for grants, endowments, trusts and other charitable activities which are distinct from the operating activities of the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

The Organization is funded primarily by the Province of Ontario in accordance with budget arrangements established by MCCSS. Recharges, recoveries and other grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Federal child benefits, restricted contributions and fundraising are recognized as revenue when received.

Interest income is recognized as it is earned.

Cash

Cash includes cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

Restricted cash

Restricted cash consists of externally restricted funding by MCCSS (the "Ministry") for directives such as the Registered Education Savings Plan (RESPs) and Ontario Child Benefit equivalent (OCBe) programs.

2. Summary of significant accounting policies (continued from previous page)

Property, buildings and equipment

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Amortization is provided using the straight-line method over the estimated useful lives of the assets, at the following annual rates using the half-year rule during the year of acquisition.

Buildings	4%
Computer equipment	20-33.33%
Furniture and equipment	10%
Leasehold improvements	5%

Contributed services

The work of the Organization is partly dependent on the voluntary services of members of the community. Donated services are not recognized in these financial statements due to the difficulty in determining their fair value.

Financial instruments

i) Measurement of financial instruments

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

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable and receivables from the Ministry.

Financial liabilities measured at amortized cost include bank indebtedness, accrued vacation pay, accrued payroll and other accounts payable and accrued liabilities.

ii) 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 and Changes in Fund Balances. 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 assets or group of assets;
- c) the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirms that a reversal is necessary, the reversal is recognized in the Statement of Operations and Changes in Fund Balances up to the amount of the previously recognized impairment.

Future benefits – non-vesting and vested sick leave benefits, and bridge benefits

On retirement, the Organization provides for the payout of a portion of accrued sick pay for management and other eligible employees. The Organization provides for the payout of a bridge benefit for eligible non-management employees. Defined benefit plan retirement costs are calculated using the projected benefit method pro-rated on services and actuarial assumptions which reflect management's best estimate of the effects of future events. Market related values are used in the valuation of retirement fund assets.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

2. Summary of significant accounting policies (continued from previous page)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses during the period. Estimates are used with accounting for such items as the useful life of property, buildings and equipment and providing for the accrued benefit obligation. Actual amounts may differ from estimates.

3. Change in accounting policy

Effective April 1, 2022 the Society adopted Section 3280 Asset Retirement Obligations (ARO) which establishes standards on how to account for and report a liability for asset retirement obligations related to tangible capital assets.

There was no impact to the financial statements as a result of this change in accounting policy.

4. Contracts with MCCSS

The Organization has service contracts with MCCSS. One requirement of the contracts is the production by management of a Transfer Payment Annual Reconciliation (TPAR) which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract.

The Fund Balance shows the surplus (deficit) position under these contracts as at March 31, 2023. The surplus (deficit) in a TPAR report will generally differ due to specific instructions for TPAR preparation.

In 2014, MCCSS announced the creation of a "Balanced Budget Fund" to support Children's Aid Societies in meeting the balanced budget requirements outlined in Regulation 70. Beginning in the fiscal year 2020/21, MCCSS introduced a "Ministry Managed Balanced Budget Fund". The Balanced Budget Fund is specific to each Agency and reflects 50% of the accumulated surplus that was returned to the Ministry each year. The Ministry Managed Balanced Budget Fund is a pooled fund controlled by MCCSS and reflects 50% of the accumulated surpluses of all Agencies in the Province. Contributions to the Balanced Budget Fund expire after three years. The Agency must address historical deficit balances with their Balanced Budget Fund prior to requesting access. To be eligible to access these funds, the Agency must meet the following two conditions:

- 1) The Agency must have generated a prior year surplus recovered in or after 2013-14; and
- 2) The Agency must require additional funding in a future year for child welfare operations to not incur a deficit. The required amount cannot exceed the total accumulated balanced budget fund and withdrawals from the fund must be approved by the Ministry.

5. Restricted cash

	2023	2022
RESP funds in trust	\$ 1,107,799	\$ 1,014,469
OCBe funds in trust- RESP	\$ 43,359	\$ 36,377
OCBe funds in trust- savings program	512,248	490,240
	<u>\$ 1,663,406</u>	<u>\$ 1,541,086</u>

Pursuant to Ministry Policy Directive CW005-16, the Organization sets aside a portion of Children's Special Allowance Funds, equivalent to the former federal UCCB payment, to establish Registered Education Savings Plans (RESPs) for eligible children in care.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

5. Restricted cash (continued from previous page)

Restricted cash related to RESPs held in trust represent such funding not yet contributed to an RESP. At March 31, 2023, \$1,107,799 (\$1,050,846 in 2022) of funds are held in trust as the recipients of these funds are not eligible to set up an RESP account.

OCBe savings program

Similarly, a portion of the OCBe relating to children aged 15-17 is being held as savings per a 2008 Ministry of Children, Community, and Social Services directive. The Ministry updated the directive in 2018.

OCBe activities program

Not all OCBe funds are required to be held in trust for the children and can be spent on children in the Organization's care if they are younger than 18 years of age. In the current year, \$340,191 (\$290,412 in 2022) of OCBe funds have not yet been spent on eligible children and are recorded in accounts payable.

6. Property, buildings and equipment

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,030,000	\$ -	\$ 1,030,000	\$ 1,030,000
Buildings	10,215,733	8,283,560	1,932,173	1,989,146
Computer equipment	1,557,711	1,121,939	435,772	730,230
Furniture and equipment	2,689,245	2,548,856	140,389	109,744
Leasehold improvement	-	-	-	51,933
	\$ 15,492,689	\$ 11,954,355	\$ 3,538,334	\$ 3,911,053

Included in property, buildings and equipment is a parcel of land donated to the Organization by the Province of Ontario for consideration in the amount of \$1. The land is recorded at the appraised value of \$1,030,000 at the time of the donation. In the event of its future sale by the Organization, all proceeds of disposition realized at that time must be returned to the Province of Ontario.

In addition, a portion of the costs of construction of the Organization's building on the land were contributed by the Province of Ontario, the City of London and the County of Middlesex. In the event of a future sale of the building by the Organization, the proceeds of disposition are to be returned to the Province of Ontario, the City of London and the County of Middlesex in proportion to their contributions.

Included in capital assets are additions of \$158,854 (\$195,236 in 2022).

7. Bank indebtedness

The Organization has bank indebtedness of \$1,655,423 (\$nil in 2022). In the current year, the Organization has available to it a revolving demand loan facility of \$3,000,000 (\$3,000,000 in 2022), of which \$1,344,577 was available at year end. The secured facility bears interest of prime less 0.25%.

The facility is secured by a General Security Agreement ("GSA") representing a First charge on the Borrower's present and after acquired personal property and assigned (or evidence) of Fire Insurance.

Interest paid in the year was \$4,022 (\$nil in 2022).

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

8. Deferred revenue

Deferred revenue represents funds received for specific purposes. The balances and transactions are summarized as follows:

	Balance, beginning of year		Funds received		Transfer to operations		Balance, end of year
Operating fund							
Autism program	\$ 5,875	\$	22,500	\$	(26,675)	\$	1,700
Restricted funds							
Cooking Towards Independence	6,049		-		(2,889)		3,160
OACAS Zone	11,237		9,001		(10,362)		9,876
Healthy Relationships	-		83,407		(83,407)		-
Interest	114,974		54,215		(19,416)		149,773
Foster Transition	-		26,000		(17,150)		8,850
Tutoring	11,986		15,000		(1,981)		25,005
	<u>144,246</u>		<u>187,623</u>		<u>(135,205)</u>		<u>196,664</u>
Total deferred revenue	<u>\$ 150,121</u>	<u>\$</u>	<u>210,123</u>	<u>\$</u>	<u>(161,880)</u>	<u>\$</u>	<u>198,364</u>

9. Pension plan and other employee future benefits

OMERS pension plan

The Organization makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") pension fund, which is a multi-employer plan, on behalf of 388 (2022 – 370) of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to OMERS for fiscal 2023 was \$2,440,933 (\$2,406,928 in 2022) for current service costs and is included as an expense in the statement of operations.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Organization does not recognize any share of the OMERS pension surplus or deficit.

The last available report for the OMERS plan was December 31, 2022. At that time the plan reported a \$6.68 billion actuarial deficit (2021 - \$3.13 billion actuarial deficit), based on actuarial liabilities of \$128.8 billion (2021 - \$119.34 billion) and actuarial assets of \$124.4 billion (2021 - \$120.7 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements.

Sick leave and bridge benefits

The eligibility and coverage are:

- All full-time bargaining unit employees and all management members (excluding Senior Management members) who has 25 or more years of service, has reached the age of 55 and retirement with an OMERS pension will receive a \$600 gross bridge retirement benefit per year until age 65.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

9. Pension plan and other employee future benefits (continued from previous page)

- All full-time bargaining unit employees and all management members are eligible for a credit of 2 sick days for each month of service. The unused portion of an employee's sick leave will accrue up to a maximum of 120 days.
- All full-time bargaining unit employees hired prior to June 27, 2000, and all management members, that have 10 or more years of continuous service, and cease to be employed because of pensionable retirement to OMERS due to age, disability or death, will be paid an amount equal to 50% of their accumulated sick leave at their current salary or wage rate not to exceed 50% of the employee's annual salary or wage.

The Organization measures the accrued benefit obligation for accounting purposes as at March 31 of each year.

	2023	2022
Non-vesting and vested sick leave benefits		
Opening balance	\$ 961,758	\$ 995,347
Current period benefit cost	116,224	130,385
Interest on accrued benefits	51,085	41,567
Benefit payments	(79,182)	(205,541)
Ending balance	\$ 1,049,885	\$ 961,758
Comprised of:		
Accrued benefit obligation at year end	\$ 1,253,283	\$ 1,273,586
Unamortized actuarial loss	(203,398)	(311,828)
	\$ 1,049,885	\$ 961,758
Bridge benefit		
Opening balance	\$ 224,975	\$ 214,107
Current period benefit cost	7,824	11,035
Interest on accrued benefits	8,073	6,433
Benefit payments	(5,382)	(6,600)
Ending balance	\$ 235,490	\$ 224,975
Total accrued benefit obligation	\$ 1,285,375	\$ 1,186,733

The significant assumptions used to determine the accrued benefit obligation are as follows:

	2023	2022
Discount rate	3.90%	2.90%
Estimated retirement age	60 years	60 years
Benefit expense	\$ 183,206	\$ 189,420

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

10. Restrictions on use of fund balances

Restricted funds

Various restrictions apply to the externally restricted and endowment fund balances. For certain bequests, the previous year's interest and 10% of the previous year's principal may be expended annually on a service or project for families and children "not in care" for a period of three years. For bequests for special needs of family and children, the previous year's interest and 10% of the previous year's principal may be applied for the purpose of meeting special needs of families and children being served by the Organization for a period of three years.

Funds held in trust

At March 31, 2023 there were 597 children (580 in 2022) with RESP accounts, with \$114,960 (\$129,498 in 2022) of funding contributed to these RESP accounts in the current year. These funds are held in trust in the children's' names and are not included in the Organization's assets.

11. Operating fund deficit

Government funding does not provide for vacation pay or accrued benefits that have been incurred but not paid. However, funding is provided for these obligations as payments are made. Management plans to send a letter to the ministry requesting funding from the balanced budget funds to assist with their operating fund deficit.

The accumulated operating fund deficit is comprised of:

	2023	2022
Accrued vacation and compensation time	\$ 2,938,473	\$ 3,082,025
Accrued benefit obligation	1,285,375	1,186,733
Accrued health spending	207,217	164,059
Accumulated operating deficit (surplus)	2,867,521	(314,509)
	<u>\$ 7,298,586</u>	<u>\$ 4,118,308</u>

12. Commitments

The Organization leases certain premises and office equipment under operating leases. Future lease payments are for an aggregate amount of \$833,112 and include the following amounts payable over the next five years.

2023/24	\$270,543
2024/25	\$185,289
2025/26	\$164,562
2026/27	\$127,718
2027/28	\$85,000

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

13. Government funding

	2023	2022
Operating fund		
Child Welfare Program - Province of Ontario	\$ 56,647,445	\$ 55,746,215

The Organization is dependent on the Province of Ontario for its future funding requirements. Government funding consists of the following:

	2023	2022
A760 funding (<i>Note 13</i>)		
Volume-based allocation	\$ 24,601,633	\$ 23,590,369
Socio-economic allocation	20,244,022	19,971,683
Pre-formula adjustment	10,343,732	10,343,732
Mitigation component	-	340,911
Policy priority		
Targeted subsidies	557,348	568,474
Standard subsidies	37,525	1,425
Administrative Efficiency Constraint	(694,723)	(694,723)
Education Liaison	115,194	115,194
Consistency of Care	492,150	299,625
Kinship Service Funding	161,558	24,771
Balanced budget funding withdrawal: structural debt	789,006	829,544
In-year surplus	-	355,210
	\$ 56,647,445	\$ 55,746,215

14. Interfund transfers

The board of directors approved a transfer of \$149,604 from the operating fund to the capital fund to finance the acquisition of tangible capital assets and operations within the capital fund.

The board of directors approved a transfer of \$2,142 from the operating fund to the restricted fund to finance the deficiency of revenues over expenses and changes in working capital within the restricted funds.

15. Ministry services contracts

During the year, funds are provided by the Province of Ontario under the terms of the various service contracts and the amounts expended by the Organization during the year. Since these funds do not directly relate to the operations of the Organization, the funds received and distributed are excluded from the statement of revenues and expenses, except for the 8936 – Partner Facility Renewal – Minor Capital contract. The revenue related to capital funding was recognized in the statement of revenues and expenses since the item was set up as a capital asset. For all contracts, if all funds were not spent by year-end, the funds are payable back to the Province of Ontario and are presented in accounts payable. The funds received and distributed for the programs are disclosed in Schedule 2.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

16. Net change in non-cash working balances related to operations

	2023	2022
(Increase) decrease in accounts receivable	\$ 1,640	\$ 11,384
(Increase) in due from Ministry of Children, Community, and Social Services	(17,874)	(1,496,284)
(Increase) decrease in statutory government remittances receivable	(63,133)	47,839
Decrease (Increase) in prepaid expenses	328,134	(154,327)
Decrease in accrued vacation pay	(117,751)	(11,626)
Decrease in accrued payroll	(913,744)	(90,476)
Decrease in due to Ministry of Children, Community, and Social Services	-	(325,780)
Increase in other accounts payable and accrued liabilities	788,654	304,471
(Decrease) Increase in statutory government remittances payable	(69,722)	115,929
Increase in deferred revenue	48,243	11,197
Increase in RESP Funds in trust	56,952	106,801
Increase in VYSA - RESP Funds in trust	6,982	5,888
Increase in OCBE funds in trust - savings program	58,385	31,152
	\$ 106,767	\$ (1,443,832)

17. Financial instruments

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant risks arising from these financial instruments.

There have been no changes in risk assessment from the prior year's financial statements.

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the bank indebtedness. The demand loan secured facility bears interest at prime less 0.25%. This floating rate instrument subjects the Organization to a cash flow risk.

Credit risk

The Organization collects balances from the Province of Ontario in the normal course of its operations and due to the nature of the receivables, the Organization does not need to maintain a provision for losses. The financial instruments that potentially subject the Organization to a significant concentration of credit risk consist of primarily of cash and accounts receivable. The Organization mitigates its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities. Accounts payable and accrued liabilities are generally repaid within 30 days. As for the revolving demand credit facility, the bank can demand repayment and/or cancel the availability of the facility at any time in its sole discretion. The ongoing operations of the Organization are reliant on funding from the Ministry of Children, Community and Social Services and costs management strategies.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2023

18. Contingent liabilities

The Organization has accrued for \$263,107 (\$164,945 in 2022) in other accounts payable and accrued liabilities on the statement of financial position for the deductible portion of outstanding claims for which the Organization is fully insured.

The Organization is party to legal actions arising in the ordinary course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of the Organization. The Organization maintains an adequate level of insurance coverage.

During the fiscal year, Bill 124 was struck down by the Ontario Superior Court and the government subsequently filed a notice of appeal. At the audit report date, the Court of Appeal's decision had not been concluded. As a result, the Society is uncertain the impact this matter will have on its operations.

19. Comparative figures

The financial statements have been reclassified, where applicable, to confirm to the presentation used in the current year. The changes do not affect prior year earnings.

Children's Aid Society of London & Middlesex

Schedule 1 - Statement of Net Expenses - Operating Fund

For the year ended March 31, 2023

	2023	2022
Expenses		
Salaries	\$ 25,570,648	\$ 26,125,626
Boarding rate payments	16,563,522	13,730,381
Employee benefits	7,762,093	7,106,908
Client's personal needs	3,667,929	3,833,595
Professional services - client	2,489,357	1,901,128
Travel	866,364	754,252
Insurance	829,096	599,591
Building occupancy	641,715	688,540
Medical and related services	605,928	623,391
Professional services - non-client	480,835	145,204
Financial assistance	456,794	236,583
Technology	406,539	396,604
Office administration	400,216	214,096
Miscellaneous	214,474	199,986
Transition costs - severance	204,051	169,117
Training, education and conferences	97,678	67,437
Program expenses	41,809	69,518
Promotion and publicity	25,592	18,254
Interest	4,022	-
	\$ 61,328,663	\$ 56,880,211

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex

Schedule 2- Statement of Financial Activity - F600 DSSL Adult's Community Accomodation - Transitional Aged Youth Program

For the year ended March 31, 2023

	2023	2022
Revenue	\$ 908,822	\$ 1,288,242
Expenses		
Per diems and miscellaneous	908,822	1,288,242
	\$ -	\$ -

The accompanying notes are an integral part of these financial statements