FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

FINANCIAL STATEMENTS

MARCH 31, 2022

FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

MARCH 31, 2022
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family and Children's Services of
Lanark, Leeds and Grenville

Opinion

We have audited the financial statements of Family and Children's Services of Lanark, Leeds and Grenville ("the Society"), which comprise:

- the statement of financial position as at March 31, 2022,
- the statement of operations and changes in fund balances for the year then ended,
- the statement of cash flows for the year then ended,
- the statement of remeasurement gains and losses, and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, its results of operations, its cash flows and the remeasurement gains and losses 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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

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Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

In preparing those financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 disclosure 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.

Johnston Beaudette

Chartered Professional Accountants
Licensed Public Accountants

Cornwall, Ontario
June 16, 2022

FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	Operating Fund	Capital Fund	Donation Fund	2022	2021
CURRENT ASSETS					
Cash and cash equivalents	$ 1,447,671	$ -	$ 400,053	$ 1,847,723	$ 391,903
Restricted Cash	3,494	-	-	3,494	3,477
Short term investments	-	-	126,802	126,802	-
Accounts receivable (Note 4)	1,415,195	-	-	1,415,195	1,697,146
Due from capital and donation fund	247,125	-	-	247,125	646,643
Prepaid expenses	360,003	-	-	360,003	417,287
	3,473,488	-	526,855	4,000,342	3,156,456
LONG TERM INVESTMENTS	-	-	-	-	222,682
CAPITAL ASSETS (Note 5)	-	2,325,935	-	2,325,935	3,278,840
CAPITAL ASSETS HELD FOR SALE (Note 5)	-	1,204,384	-	1,204,384	538,839
	$ 3,473,488	$ 3,530,319	$ 526,855	$ 7,530,661	$ 7,196,817
CURRENT LIABILITIES					
Bank indebtedness (Note 6)	$ -	$ -	$ -	$ -	$ 604,315
Accounts payable and accrued liabilities (Note 7)	4,466,843	-	-	4,466,843	3,724,861
Due to operating fund	-	207,566	39,559	247,125	418,907
Deferred contributions (Note 8)	337,343	964,318	18,253	1,319,914	783,556
Current portion of long term debt (Note 10)	-	27,590	-	27,590	209,675
	4,804,186	1,199,474	57,812	6,061,472	5,741,314
LONG TERM DEBT (Note 10)	-	830,988	-	830,988	882,678
	4,804,186	2,030,462	57,812	6,892,460	6,623,992
FUND BALANCES					
Invested in capital assets	-	1,499,858	-	1,499,858	1,375,955
Internally restricted	-	-	469,043	469,043	523,182
Unrestricted	(1,330,699)	-	-	(1,330,699)	(1,507,533)
	(1,330,699)	1,499,858	469,043	638,202	391,604
Accumulated remeasurement gains	-	-	-	-	181,221
	(1,330,699)	1,499,858	469,043	638,202	572,825
	$ 3,473,488	$ 3,530,319	$ 526,855	$ 7,530,661	$ 7,196,817

APPROVED ON BEHALF OF THE BOARD:

Erin Lee Marcotte — Director

A M Andrews — Director

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022

	Operating Fund	Capital Fund	Donation Fund	2022	2021
REVENUES					
Ministry funding:					
Child welfare base funding	$ 17,804,245	$ -	$ -	$ 17,804,245	$ 18,247,200
One time deficit assistance	195,044	-	-	195,044	1,267,484
Recoveries and other income	1,106,414	-	-	1,106,414	1,457,442
Donations and grants	-	-	46,779	46,779	64,853
Investment income	7,661	-	6,041	13,702	12,415
Amortization of deferred contributions	-	89,320	-	89,320	84,652
	19,113,364	89,320	52,820	19,255,504	21,134,046
EXPENSES					
Salaries and benefits	11,975,003	-	-	11,975,003	12,134,080
Direct services for children	4,063,711	-	105,910	4,169,621	4,444,574
Administration	1,446,768	-	1,049	1,447,817	1,989,401
Travel and training	630,209	-	-	630,209	443,245
Occupancy	483,388	-	-	483,388	386,823
Interest on long term debt	-	32,125	-	32,125	91,172
Amortization	-	128,323	-	128,323	157,639
	18,599,079	160,448	106,959	18,866,486	19,646,934
EXCESS OF REVENUES OVER EXPENSES BEFORE UNDERNOTED ITEMS	514,285	(71,128)	(54,140)	389,018	1,487,112
Realized loss on swap	(7,671)	-	-	(7,671)	-
(Loss) gain on sale of capital assets	-	(134,749)	-	(134,749)	26,474
EXCESS OF REVENUES OVER EXPENSES	506,614	(205,877)	(54,140)	246,598	1,513,586
FUND BALANCES, beginning of year	(1,837,313)	1,705,735	523,182	391,604	(1,121,982)
FUND BALANCES, end of year	$ (1,330,699)	$ 1,499,858	$ 469,043	$ 638,202	$ 391,604

FAMILY AND CHILDREN'S SERVICES OF LANARK, LEEDS AND GRENVILLE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 246,598	$ 1,513,586
Amortization of capital assets	128,323	157,639
	374,921	1,671,225
Change in non-cash working capital:		
Increase (decrease) in accounts receivable	281,951	(1,216,486)
Decrease (increase) in prepaid expenses	57,284	(83,855)
Increase in accounts payable and accrued liabilities	741,982	1,226,451
Increase (decrease) in deferred contributions	536,358	(295,798)
	1,992,496	1,301,538
CASH FLOW FROM CAPITAL ACTIVITIES		
Net proceeds on sale of capital assets	404,133	219,158
Purchase of capital assets	(379,803)	(250,138)
	24,330	(30,980)
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease in investments	95,880	94,139
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in bank indebtedness	(604,315)	(976,400)
Reameasurement gain adjustment	181,221	-
Mortgage principal repayments	(233,775)	(365,096)
	(656,869)	(1,341,496)
NET INCREASE IN CASH	1,455,837	23,201
CASH, beginning of year	395,380	372,179
CASH, end of year	$ 1,851,217	$ 395,380

Cash is comprised of the following:		
Cash	$ 1,847,723	$ 391,903
Restricted cash	3,494	3,477
	$ 1,851,217	$ 395,380

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2022

	Operating Fund	Capital Fund	Donation Fund	2022	2021
ACCUMULATED REMEASUREMENT GAINS, beginning of year	$ 181,221	$ -	$ -	$ 181,221	$ 136,892
Unrealized gain attributable to:					
Derivative - interest rate swap	(181,221)	-	-	(181,221)	44,329
ACCUMULATED REMEASUREMENT GAINS, end of year	$ -	$ -	$ -	$ -	$ 181,221

1. DESCRIPTION OF OPERATIONS

Family and Children's Services of Lanark, Leeds and Grenville (“the Society”) is committed to engaging families and the community in the safety, permanency and well being of our children and youth. The Society's operations are governed by the Child, Youth and Family Services Act (S.O. 2017).

The Society is a corporation incorporated without share capital under the Corporation Act (Ontario). The Society is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

The Society was established on August 2, 2011 pursuant to Letters Patent of Amalgamation and an amalgamation agreement between the former Children's Aid Society of Brockville and the United Counties of Leeds and Grenville and the former Children's Aid Society of the County of Lanark and the Town of Smiths Falls.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Cash and cash equivalents

Cash consists of cash on deposit with a Canadian chartered bank less cheques issued and outstanding.

(b) Fund accounting

The financial statements separately disclose the activities of the following funds maintained by the Society:

Revenues and expenses for service delivery activities and administration are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to capital assets.

The Donation Fund reports the Society's fund-raising activities and expenditures not funded by the Ministry of Children, Community and Social Services ("MCCSS").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

The Society follows the deferral method of accounting for contributions, which includes donations and government grants.

Under the *Child, Youth and Family Services Act* and Regulations thereto, the Society is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Grants and donations received for capital purposes are deferred and amortized on a basis and rate corresponding with the amortization rate for the related capital assets.

(d) Capital assets

Acquisitions of capital assets are recorded at cost in the Capital Fund. Amortization expense is reported in the Capital Fund and is provided using the straight line method over the following periods, other than in the year of acquisition when one-half of the rate is applied.

Building	30 years
Computer equipment	3 and 5 years
Furniture and equipment	10 years
Vehicles	3 and 5 years

(e) Vacation entitlements

Vacation entitlements are recorded as accrued liabilities when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Post-employment benefits

The Society provides post-employment health and dental benefits to its employees as well as life insurance benefits for pre-amalgamation non-union retirees.

The cost of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employees on a straight line basis.

(g) Financial instruments

The Society initially records its financial instruments on the statement of financial position at fair value. The Society subsequently measures all its financial instruments, except cash and cash equivalent and the interest rate swap arrangement, at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

(i) Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long term debt.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Fair value

This category includes cash and cash equivalent and the interest rate swap arrangement.

Unrealized changes in the fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which time they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

When a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations and fund balances. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations and fund balances.

The interest rate swap arrangement is recorded at fair value with any realized gain or loss reflected in the statement of operations and changes in fund balances. Fair value is determined using "mark to market" quotations calculated by a Canadian chartered bank.

Financial instruments are classified into fair value hierarchy levels 1, 2 or 3 for the purpose of describing the basis of the inputs used to determine the fair market value of those amounts recorded at fair value, as described below:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Society's financial instruments are all classified at the fair value hierarchy Level 2.

The Society has elected to account for transactions at the trade date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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 the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to estimates and assumptions include the collectability of accounts receivable, the estimated useful life of capital assets and the employee future benefit obligations. Actual results could differ from those estimates.

(i) Contributed services

Volunteers contribute a significant number of hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining the fair value, the value of contributed services is not recognized in the financial statements.

3. RETROACTIVE RESTATEMENT OF ERRORS

During the year, the Society discovered that the fiscal 2021 childwelfare surplus of $515,230 had not been reallocated to accounts payable.

It was also discovered that the deferred revenue appropriation from Ministry funding of $329,780 to purchase the Smiths Falls building in fiscal 2018 was not correctly recorded. This appropriation had been posted to the interfund account.

As a result of correcting the two prior period errors, the following 2021 comparative balances were restated as follows:

	As Previously Reported	Adjustments	Restated
Due from capital and donation fund	$ 976,423	$ (329,780)	$ 646,643
Ministry funding: child welfare base funding	18,762,430	(515,230)	18,247,200
Operating fund balance, beginning of year	(992,303)	(845,010)	(1,837,313)
Capital fund balance, beginning of year	1,375,955	329,780	1,705,735

The adjustments to correct the prior period errors are as follows:

(a) Statement of Operations and Changes in Fund Balances

	As Previously Reported	Adjustments	Restated
March 31, 2018 - Operating fund			
2018 Child welfare base funding	$ 21,728,610	$ (329,780)	$ 21,398,830
Excess of expenses over revenues	(989,142)	(329,780)	(1,318,922)
Fund balance, beginning of year	(1,260,841)	-	(1,260,841)
Fund balance, end of year	$ (2,249,983)	$ (329,780)	$ (2,579,763)
March 31, 2018 - Capital fund			
2018 Amortization of deferred revenue	$ 46,487	$ 329,780	$ 376,267
Excess of expenses over revenues	(118,914)	329,780	210,866
Fund balance, beginning of year	1,934,428	-	1,934,428
Fund balance, end of year	$ 1,815,514	$ 329,780	$ 2,145,294

3. RETROACTIVE RESTATEMENT OF ERRORS (continued)

(a) Statement of Operations and Changes in Fund Balances (continued)

	As Previously Reported	Adjustments	Restated
March 31, 2021 - Operating fund			
2021 Child welfare base funding	$ 18,762,430	$ (515,230)	$ 18,247,200
Excess of revenues over expenses	2,165,828	(515,230)	1,650,598
Fund balance, beginning of year	(3,487,911)	-	(3,487,911)
Fund balances, end of year	$ (1,322,083)	$ (515,230)	$ (1,837,313)

(b) Statement of Financial Position

	As Previously Reported	Adjustments	Restated
March 31, 2018			
Deferred revenue	568,543	(329,780)	238,763
Interfund receivable - operating fund	508,081	(329,780)	178,301
Fund balance - operating	(2,249,983)	(329,780)	(2,579,763)
Fund balance - capital	1,815,514	329,780	2,145,294
March 31, 2021			
Accounts payable	3,209,631	515,230	3,724,861

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

4. ACCOUNTS RECEIVABLE

	2022	2021
Due from other societies	$ 403,391	$ 58,690
Ministry of Children, Community and Social Services	866,438	1,288,680
General	145,367	349,776
	$ 1,415,195	$ 1,697,146

5. CAPITAL ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net carrying amount	Net carrying amount
Land	$ 200,000	$ -	$ 200,000	$ 140,600
Buildings	2,512,881	(489,528)	2,023,353	2,979,121
Furniture and equipment	296,773	(243,977)	52,796	76,141
Computer equipment	165,955	(116,169)	49,787	82,977
	3,175,609	(849,674)	2,325,935	3,278,840
Capital Assets held for sale:				
Land	86,800	-	86,800	40,600
Building	1,571,603	(454,019)	1,117,584	498,239
	1,658,403	(454,019)	1,204,384	538,839
	$ 4,834,012	$ (1,303,693)	$ 3,530,319	$ 3,817,679

5. CAPITAL ASSETS (continued)

The Society received financial assistance from the Province of Ontario for the construction of the building in Brockville. As a consequence, the Society may not sell, lease, mortgage or encumber or otherwise dispose of the building without the approval of the Province. Further, the Province may require, as a condition of that approval, that the Society reimburse the Province based on its proportionate share of the acquisition cost. The reimbursement, if required, would be 60% of the greater of the current market value or the proceeds of disposition.

The Society received financial assistance from the Province of Ontario to purchase the property in Perth. As a result, the Province has a 94% interest in the property. The Province of Ontario contributed $2,201,595 when the property was acquired in 2004. As a consequence, the Society may not sell or otherwise dispose of the property without the approval of the Province. Further, the Province may require, as a condition of that approval, that the Society reimburse the Province based on its proportionate share of the acquisition cost.

The Society received permission from the Province of Ontario to sell part of the Perth property during the year. The building at 10 Herriott Street was sold on May 19, 2021. The proceeds of the sale were used to pay the Bankers' acceptance mortgage on the Perth property and pay for renovations to the Smiths Falls office to accommodate more staff at this location.

The Entity plans to list the property at 8 Herriott Street for sale subsequent to March 31, 2022.

6. BANK INDEBTEDNESS

The Society has an operating line available to a maximum of $1,800,000. The interest rate is Royal Bank Prime minus 0.25%, calculated and payable monthly. The operating loan is secured as described in Note 10.

	2022	2021
Operating Fund:		
Operating line	$ -	$ 570,000
Operating account	-	36,015
Petty cash	-	(1,700)
	$ -	$ 604,315

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade and accrued liabilities	$ 898,995	$ 1,356,896
Salaries and benefits	145,246	102,587
Vacation entitlement	432,465	437,185
Post-employment benefits	799,100	761,000
OCBe	164,114	164,910
Due to Ministry	1,792,259	630,764
Due to children's RESPs	234,664	271,520
	$ 4,466,843	$ 3,724,861

8. DEFERRED CONTRIBUTIONS

	2022	2021
Operating fund, beginning of year	$ 91,468	$ 64,931
Net increase in OCBe program	1,033	26,537
PFR funding for Smiths Falls building renovations	244,842	-
Operating fund, end of year	337,343	91,468
Capital fund, beginning of year	673,836	508,352
Amortization of deferred contributions for capital assets	(89,320)	(84,652)
Funding received for capital asset additions	379,803	250,136
Capital fund, end of year	964,318	673,836
Donation fund	18,253	18,253
	$ 1,319,914	$ 783,556

9. POST-EMPLOYMENT BENEFITS

The Society extends post-employment health and dental benefits to all employees as well as life insurance benefits to pre-amalgamation non-union retirees only. The Society recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study commissioned by the Society. The most recent actuarial valuation of the post-employment benefits was as of March 31, 2022 and the next required valuation will be as of March 31, 2024.

The major actuarial assumptions employed for the valuation are as follows:

(a) Discount rate

The present value as at March 31, 2022 of the future benefits was determined using a discount rate of 3.25%.

(b) Dental costs trend rates

Dental costs were assumed to increase at 3% per annum.

(c) Extended health care trend rates

Extended health care costs assumed an initial rate of 6.50% per annum in fiscal 2024 and decreasing by 0.50% per annum to an ultimate rate of 4.00% per annum.

Post-employment benefits liability of the Society is as follows:

	2022	2021
Liability for post-retirement benefits, opening balance	$ 761,000	$ 732,600
Expense related to post-retirement benefits	78,300	71,000
Funding contributions	(40,200)	(42,600)
	$ 799,100	$ 761,000

9. POST-EMPLOYMENT BENEFITS (continued)

Post-employment benefit expense of the Society is as follows:

	2022	2021
Current year benefit cost	$ 46,000	$ 40,900
Amortization of actuarial losses	4,900	1,500
Post-retirement benefit interest expense	27,400	28,600
	$ 78,300	$ 71,000

10. LONG TERM DEBT

	2022	2021
Bankers' acceptance, repayable $8,000 monthly plus interest, due February 2023	$ -	$ 198,000
Unrealized gain on swap arrangement, Royal Bank at 6.06%	-	9,009
Smiths Falls Mortgage, repayable $4,741 monthly including interest, 3.47%, due August 2023	858,578	885,343
	858,578	1,092,353
Less: current portion	27,590	209,675
	$ 830,988	$ 882,678

All loans are secured by mortgages on land and buildings with a carrying value of $1,327,242 (2021 - $2,746,711) and a general security interest in all personal property.

In August 2018 the Society entered into a Mortgage arrangement with RBC to assist in the financing of the Smiths Falls building and renovations. Security for this loan is based on the Smiths Falls and Perth property. The $950,000 loan is based on a 25 year mortgage at a fixed rate of 3.47% per annum. The blended monthly payments are $4,741 on a five year term to expire in August 2023.

10. LONG TERM DEBT (continued)

The principal payments required in each of the next five years are as follows:

2023	$ 27,590
2024	830,988
2025	-
2026	-
2027	-
	$ 858,578

11. PENSION PLAN

The Society makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Plan specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits.

The amounts contributed to OMERS during the year ended March 31, 2022 was $951,718 (2021 - $995,014) for current service and is included as an expense in the operating fund, on the Statement of Operations and Changes in Fund Balances. As at March 31, 2022 the Society has no unfunded liability under the past service provisions of the agreement.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2021 Annual Report indicates the plan is funded at 97%.

12. OBLIGATIONS

The Society acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The Society has no discretion over such group transactions. Resources received on behalf of the groups are reported as liabilities, not revenue and subsequent distributions on behalf of the groups are reported as decreases to this liability.

The Society's obligations consist of the following:

(a) Registered educational savings program (RESP)

		2022		2021
RESP OBLIGATIONS, beginning of year	$	271,520	$	197,196
MCCSS Directed amount from Child Special Allowances		63,420		87,880
RESP Withdrawals				(13,556)
Transfer to individual RESP accounts		(100,277)		-
RESP OBLIGATIONS, end of year	$	234,664	$	271,520

(b) Ontario child tax benefit equivalent (OCBe)

		2022		2021
OCBe OBLIGATIONS, beginning of year	$	164,910	$	158,041
Grants received		43,334		54,614
Disbursements		(44,131)		(47,745)
OCBe OBLIGATIONS, end of year	$	164,114	$	164,910

12. OBLIGATIONS (continued)

(c) Ward trust funds

		2022		2021
WARD TRUST FUNDS OBLIGATIONS,				
Beginning of year	$	3,477	$	3,457
Interest		17		20
WARD TRUST FUNDS OBLIGATIONS, end of year	$	3,494	$	3,477

13. DONATION FUND

The following individual fund balances comprise the Donation Fund:

	Opening balance	Revenue	Expenses	Closing balance
Donation Funds:				
General Fund	$ 41,549	$ 9,219	$ (19,437)	$ 31,331
United Way	22,464	9,166	(31,630)	-
Chris Tyson Fund	162,260	-	(12,794)	149,466
Vivian O'Neil Fund	196,397	-	(11,375)	185,022
Christmas Fund	41,799	12,802	(6,921)	47,680
Snowsuit Fund	11,270	20,911	(24,802)	7,379
Education Fund	47,444	722	-	48,166
	$ 523,182	$ 52,820	$ (106,959)	$ 469,043

14. BALANCED BUDGET FUND

In 2014, the Ministry of Children, Community and Social Services (MCCSS) announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies (CAS) in meeting the balanced budget requirement set out in Regulation 70 and to proactively manage the risks associated with a multi-year budget planning process.

The Balanced Budget Fund was developed by MCCSS on an individual CAS basis, in an amount up to each CAS's accumulated surplus that has been returned to MCCSS following the implementation of the new funding model in fiscal 2014. When the Society incurs a net current year surplus, they can retain 50% of their current year child welfare surplus. In a year of overall net deficit, 100% of the current year child welfare surplus can be retained by the Society. In order to be eligible to access these funds in a future year, the Society must meet the following two conditions:

- the Society has generated a prior year Child Welfare surplus recovered in or after fiscal 2013-2014 by MCCSS; and
- in one of the subsequent three years, the Society requires additional funding in an amount up to its total accumulated prior year(s) surplus, to balance its budget.

The Society's balance budget fund balances are as follows:

	2022	2021
CHILD WELFARE SURPLUS, beginning of year	$ 515,230	$ -
Current year surplus	1,160,348	515,230
Current year appropriation	(515,230)	-
CHILD WELFARE SURPLUS, end of year	$ 1,160,348	$ 515,230

The current year Child Welfare surplus is $1,160,348. Since the Society has a net overall surplus for the current year, 50% of the surplus will be accessible under the Balance Budget Fund by the Society until March 31, 2025.

15. SUPPLEMENTARY PROGRAMS

The following individual programs expenditures are included in the operating fund:

	Gross	Recoveries	Net
Broader Public Service - Pay Equity	$ 10,524	$ 10,533	$ (9.00)
Education Liaison	92,765	92,765	-
Partner Facility Renewal	338,758	583,600	(244,842)
Preparation for Independence	60,048	60,054	(6.00)
	$ 502,095	$ 746,952	$ (244,857)

As a result of the current construction supply chain management delays, MCCSS is allowing the Agency to carryforward unspent Partner Facility Renewal funding to September 30, 2022. The unspent revenue of $244,842 has been deferred to fiscal 2023.

16. FINANCIAL RISKS

Credit risk

Credit risk is the risk of financial loss to the Society if a counterparty to a contract fails to perform according to the terms of that contract. The Society is exposed to this risk relating to its cash and accounts receivable. The carrying value of the Society's main financial assets represents the maximum credit risk to which the Society is exposed.

The Society holds its cash accounts with a federally regulated chartered bank which is insured by the Canadian Deposit Insurance Corporation. Accounts receivable are primarily due from other children's aid societies and the government. The Society measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Society's historical experience regarding collections. All accounts receivable were judged collectable at year end.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. Other price risk arises from other changes in market prices caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments in the market.

16. FINANCIAL RISKS (continued)

Interest rate risk

The Society is exposed to interest rate risk on its long term debt. It mitigates interest rate risk on its term debt through a derivative financial instrument that exchanges the variable rate inherent in the term debt for a fixed rate. The interest rate risk on the Smiths Falls building mortgage is mitigated by its fixed interest rate. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares a budget and performs extensive budgeting analysis to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes from the previous year in the exposure to risks or policies, procedures and methods used to measure the risks.

17. COVID-19 IMPACTS

The World Health Organization declared COVID-19 a pandemic on March 11, 2020. Measures taken to contain the spread of the virus, including social distancing and closures or significantly reduced operations of businesses for an extended period of time have caused disruption in the delivery of services.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effects of these items is not predictable at this time.

18. CONTINGENT LIABILITIES

Due to the nature of the work, from time to time, the Society receives notice of legal claims seeking compensation and damages. While some do not get filed, some do, and the Society maintains liability insurance coverage to cover potential costs.

(a) When the Society filed its Statement of Defence in a now settled class action suit, it made a crossclaim for contribution, indemnity and relief with respect to any amount, including interest and costs, for which the Society may be found responsible or liable or may have to pay, to the class in this action, as well as costs of defending the action. The claimant counterclaimed against the Society.

(b) On December 21, 2021 the Society was served with a lawsuit that was filed on July 12, 2021. The plaintiffs are claiming General and Special Damages for malicious prosecution, bad faith and negligent investigation, conspiracy, intentional infliction of psychological harm, and breach of privacy in the amount of $6,000,000, Punitive Damages against the Defendants for bad faith conduct.

(c) On February 23, 2022 the Society was served with a lawsuit that was filed on February 11, 2022. The plaintiff is claiming General Damages for pain and suffering in the amount of $400,000; General Damages for loss of future income in the amount of $1,000,000; General Damages for future care costs in the amount of $250,000; Special damages in the amount of $250,0000; Aggravated Damages in the amount of $200,000; Punitive Damages in the amount of $200,000.

(d) On May 10, 2022, a proposed class action lawsuit was issued with regards to the practice of "birth alerts" in Ontario, naming the Province of Ontario and all Children's Aid Societies and Indigenous Child and Family Well-bring Agencies as defendants.

The claims are covered by the Society's liability insurance which would not however cover special, punitive, aggravated and exemplary damages, if any were to be awarded. Management intends to defend the claims. The outcome of these legal actions in not determinable as at the date of the audit report. Management would seek support from the funder in the event special, punitive, aggravated and exemplary damages are awarded.

It is not possible to determine the amount of the damage, if any, that will be assessed against the Society for the above claims. Accordingly, no provision for the possible losses have been included in these financial statements.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the year.