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

FINANCIAL STATEMENTS

MARCH 31, 2020

Johnston Beaudette
Chartered Professional Accountants

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

MARCH 31, 2020
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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, 2020, and the statements of operations and changes in fund balances, cash flows and remeasurement gains and losses 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 positon of the Society as at March 31, 2020, the results of its 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Society's operating fund revenues exceeded expenses by $206,391 during the year ended March 31, 2020 and, as of that date, the Society's current liabilities exceeded its current assets by $3,866,228. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report theron.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, 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 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 exist 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
July 21, 2020

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

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	Operating Fund	Capital Fund	Donation Fund	2020	2019
CURRENT ASSETS					
Cash and cash equivalents	$ -	$ -	$ 368,722	$ 368,722	$ 239,516
Restricted Cash	3,457	-	-	3,457	3,388
Accounts receivable (Note 4)	1,127,302	-	-	1,127,302	1,086,865
Prepaid expenses	333,432	-	-	333,432	379,879
	1,464,191	-	368,722	1,832,913	1,709,648
LONG TERM INVESTMENTS			316,821	316,821	409,250
CAPITAL ASSETS (Note 5)	-	3,900,011	-	3,900,011	3,934,877
	$ 1,464,191	$ 3,900,011	$ 685,543	$ 6,049,745	$ 6,053,775
CURRENT LIABILITIES					
Bank indebtedness (Note 6)	$ 1,580,715	$ -	$ -	$ 1,580,715	$ 1,927,804
Accounts payable and accrued liabilities (Note 7)	2,681,745	90,790	144,782	2,917,317	2,496,009
Deferred contributions (Note 8)	222,970	838,132	18,252	1,079,354	1,002,057
Current portion of long term debt (Note 10)	-	121,755	-	121,755	111,000
	4,485,430	1,050,677	163,034	5,699,141	5,536,869
LONG TERM DEBT (Note 10)	-	1,335,694	-	1,335,694	1,460,796
	4,485,430	2,386,371	163,034	7,034,835	6,997,665
FUND BALANCES					
Invested in capital assets	-	1,513,640	-	1,513,640	1,696,977
Internally restricted	-	-	522,509	522,509	590,562
Unrestricted	(3,158,131)	-	-	(3,158,131)	(3,364,522)
	(3,158,131)	1,513,640	522,509	(1,121,982)	(1,076,983)
Accumulated remeasurement gains	136,892	-	-	136,892	133,092
	(3,021,239)	1,513,640	522,509	(985,090)	(943,890)
	$ 1,464,191	$ 3,900,011	$ 685,543	$ 6,049,745	$ 6,053,775

APPROVED ON BEHALF OF THE BOARD:

Director

Director

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020

	Operating Fund	Capital Fund	Donation Fund	2020	2019
REVENUES					
Ministry funding:					
Child welfare base funding	$ 19,244,412	$ -	$ -	$ 19,244,412	$ 19,763,478
One time deficit assistance	868,605	-	-	868,605	-
Recoveries and other income	1,298,586	-	-	1,298,586	1,398,631
Donations and grants	-	-	77,735	77,735	82,004
Investment income	10,626	-	-	10,626	4,828
Amortization of deferred contributions	-	92,483	-	92,483	69,725
	21,422,229	92,483	77,735	21,592,447	21,318,666
EXPENSES					
Salaries and benefits	12,938,293	-	-	12,938,293	13,660,254
Direct services for children	5,465,705	-	144,158	5,609,863	5,666,475
Administration	1,292,148	-	1,629	1,293,777	1,441,585
Travel and training	989,360	-	-	989,360	1,105,102
Occupancy	491,666	-	-	491,666	490,014
Interest on long term debt	38,666	65,713	-	104,379	41,528
Amortization	-	210,107	-	210,107	188,262
	21,215,838	275,820	145,788	21,637,445	22,593,220
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES	206,391	(183,337)	(68,053)	(44,999)	(1,274,554)
FUND BALANCES, beginning of year	(3,364,522)	1,696,977	590,562	(1,076,983)	197,571
FUND BALANCES, end of year	$ (3,158,131)	$ 1,513,640	$ 522,509	$ (1,121,982)	$ (1,076,983)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenues	$ (44,999)	$ (1,274,554)
Amortization of capital assets	210,107	188,262
	165,108	(1,086,292)
Change in non-cash working capital:		
Decrease in accounts receivable	(40,437)	538,535
Decrease (increase) in prepaid expenses	46,447	(177,650)
(Decrease) increase in accounts payable and accrued liabilities	421,308	585,125
Increase in deferred contributions	77,297	208,760
	669,723	68,478
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease in investments	92,429	90,750
Purchase of capital assets	(175,242)	(256,556)
	(82,813)	(165,806)
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in bank indebtedness	(347,088)	(282,980)
Decrease in short term loan	-	(450,000)
Increase in mortgage	-	950,000
Mortgage principal repayments	(110,547)	(99,342)
	(457,635)	117,678
NET INCREASE IN CASH	129,275	20,350
CASH, beginning of year	242,904	222,554
CASH, end of year	$ 372,179	$ 242,904

	2020	2019
Cash is comprised of the following:		
Cash	$ 368,722	239,516
Restricted Cash	3,457	3,388
	$ 372,179	$ 242,904

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STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2020

	Operating Fund	Capital Fund	Donation Fund	2020	2019
ACCUMULATED REMEASUREMENT GAINS, beginning of year	$ 133,092	$ -	$ -	$ 133,092	$ 123,470
Unrealized gain attributable to:					
Derivative - interest rate swap	3,800	-	-	3,800	9,622
ACCUMULATED REMEASUREMENT GAINS, end of year	$ 136,892	$ -	$ -	$ 136,892	$ 133,092

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Chartered Professional Accountants

1. DESCRIPTION OF OPERATIONS

Family and Children's Services of Lanark, Leeds and Grenville ("the Society") is a corporation incorporated without share capital under the Corporations Act (Ontario) and its operations are governed by the Child, Youth and Family Services Act (S.O. 2017). 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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

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.

(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. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

At March 31, 2020 the Society had a negative working capital of $3,866,228 while the operating fund revenues exceeded expenses by $206,391, which when subtracted from the operating fund excess of expenses over revenues incurred in the last 4 years, resulted in an accumulated operating fund deficit of $3,158,131. The Society also requested a temporary increase of $600,000 to its line of credit near year end to meets its obligations.

In Fiscal 2020, MCCSS performed an efficiency review of the Society’s financial and service delivery operations and provided $868,605 to help reduce the accumulated deficit. It also requires the Society to operate within a balanced budget on an annual basis. However, in Fiscal 2021, the Society does not believe it can successfully operate within a balanced budget and projects an operating deficit of approximately $600,000. The Society continues to be dependent on MCCSS to obtain budget advances to meet its obligations and the bank to provide temporary increases to its line of credit as needed. Therefore, the Society's ability to continue as a going concern is dependent on the continued financial support from both MCCSS and the bank.

The deficit reflects activities associated with the Society's mandate under the Child, Youth and Family Services Act (S.O. 2017). Management awaits direction from MCCSS with regard to additional funding to support these legislated activities. The accompanying financial statements have been prepared on a going-concern basis, which assumes the realization of assets, and liquidation of liabilities, in the normal course of business.

4. ACCOUNTS RECEIVABLE

	2020	2019
Due from other societies	$ 32,649	$ 51,581
Ministry of Children, Community and Social Services	43,495	11,063
Interfund	793,090	597,352
General	258,068	426,869
	$ 1,127,302	$ 1,086,865

5. CAPITAL ASSETS

	2020			2019
	Cost	Accumulated Amortization	Net carrying amount	Net carrying amount
Land	$ 240,000	$ -	$ 240,000	$ 240,000
Buildings	4,517,787	(1,079,763)	3,438,024	3,410,022
Furniture and equipment	296,773	(190,954)	105,819	135,496
Computer equipment	165,955	(49,787)	116,168	149,359
	$ 5,220,515	(1,320,504)	$ 3,900,011	$ 3,934,877

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.

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.

	2020	2019
Operating Fund:		
Operating line	$ 1,570,000	$ 1,800,000
Operating account	12,815	9,804
Petty cash	(2,100)	(2,000)
Temporary Increase on line	-	120,000
	$ 1,580,715	$ 1,927,804

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade and accrued liabilities	$ 1,003,490	$ 994,006
Salaries and benefits	172,068	260,648
Vacation entitlement	370,980	392,864
Post-employment benefits	732,600	686,500
Legal settlement accrual	200,000	-
Interfunds	235,572	39,834
Due to Ministry	5,411	-
Due to children's RESPs	197,197	122,157
	$ 2,917,318	$ 2,496,009

8. DEFERRED CONTRIBUTIONS

	2020	2019
Deferred contributions, beginning of year	$ 1,002,057	$ 793,297
Amortization of deferred contributions for capital asset	(92,483)	(69,725)
Funding received for capital asset additions	175,241	256,556
Net decrease (increase) in OCBe program	(5,461)	21,929
Deferred contributions, end of year	$ 1,079,354	$ 1,002,057

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, 2020 and the next required valuation will be as of March 31, 2021.

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

(a) Discount rate

The present value as at March 31, 2020 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 5.50% per annum and decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum.

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

	2020	2019
Liability for post-retirement benefits, opening balance	$ 686,500	$ 444,400
Expense related to post-retirement benefits	73,200	261,600
Funding contributions	(27,100)	(19,500)
	$ 732,600	$ 686,500

Johnston Beaudette
Chartered Professional Accountants

9. POST-EMPLOYMENT BENEFITS (continued)

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

	2020	2019
Current year benefit cost	$ 43,200	$ 254,500
Recognition of unamortized net actuarial gains	-	(11,800)
Amortization of actuarial losses	4,800	3,100
Post-retirement benefit interest expense	25,200	15,800
	$ 73,200	$ 261,600

10. LONG TERM DEBT

	2020	2019
Bankers' acceptance, repayable $8,000 monthly plus interest, due November 2020	$ 493,000	$ 579,000
Unrealized loss on swap arrangement, Royal Bank at 6.06%	53,338	57,138
Smiths Falls Mortgage, repayable $4,741 monthly including interest, 5 years at 3.47%, due August 2023	911,111	935,658
	1,457,449	1,571,796
Less: current portion	121,755	111,000
	$ 1,335,694	$ 1,460,796

All loans are secured by mortgages on land and buildings with a carrying value of $3,678,024 (2019 - $3,650,022) 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)

In November 2004, the Society entered into an interest rate swap arrangement with a Canadian chartered bank to eliminate interest rate cash flow risk, through the balance of the repayment term to 2024, with respect to the renewal of its mortgage. The financing is in the form of Bankers Acceptances. The debt has a twenty year amortization term and when combined with the interest rate swap arrangement has an effective interest rate of 6.06% representing an interest rate guaranteed by the swap of 5.21%, combined with a stamping fee of 0.85%. The debt is due November 2020.

The amount the Society would have to pay at March 31, 2020 to unwind the swap arrangement is $53,338 (2019 - $57,138). The annual unrealized gain is recorded in the operating fund in the Statement of Remeasurement Gains and Losses. For the current year, the gain is $3,800 (2019 - gain of $9,622).

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

2021	$ 121,755
2022	122,581
2023	135,511
2024	138,474
2025	115,470
Thereafter	823,658
	$ 1,457,449

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 Society has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Society records as pension expense the current service cost.

The amounts contributed to OMERS during the year ended March 31, 2020 was $986,107 (2019 - $1,064,631) 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, 2020 the Society has no unfunded liability under the past service provisions of the agreement.

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)

	2020	2019
RESP OBLIGATIONS, beginning of year	$ 122,157	$ 160,898
MCCSS Directed amount from Child Special Allowances	115,080	82,880
RESP Withdrawals	(2,032)	-
Transfer to individual RESP accounts	(38,009)	(121,621)
RESP OBLIGATIONS, end of year	$ 197,196	$ 122,157

(b) Ontario child tax benefit equivalent (OCBe)

	2020	2019
OCBe OBLIGATIONS, beginning of year	$ 163,385	$ 141,509
Grants received	62,327	75,929
Disbursements	(67,671)	(54,053)
OCBe OBLIGATIONS, end of year	$ 158,041	$ 163,385

12. OBLIGATIONS (continued)

(c) Ward trust funds

	2020	2019
WARD TRUST FUNDS OBLIGATIONS,		
Beginning of year	$ 3,388	$ -
Payments received	-	3,355
Interest	69	34
WARD TRUST FUNDS OBLIGATIONS, end of year	$ 3,457	$ 3,388

13. DONATION FUND

The following individual fund balances comprise the Donation Fund:

	Opening balance	Revenue	Expenses	Closing balance
Donation Funds:				
General Fund	$ 109,182	$ 17,995	$ (77,457)	$ 49,720
United Way	-	40,000	(34,816)	5,184
Chris Tyson Fund	185,176	-	(20,755)	164,421
Vivian O'Neil Fund	191,069	5,328	(1,632)	194,765
Christmas Fund	28,404	9,235	-	37,639
Snowsuit Fund	28,817	3,675	(8,134)	24,358
Education Fund	47,914	1,502	(2,994)	46,422
	$ 590,562	$ 77,735	$ (145,788)	$ 522,509

14. SUPPLEMENTARY PROGRAMS

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

	Gross	Recoveries	Net
Broader Public Service - Pay Equity	$ 10,533	$ 10,533	$ -
Education Liaison	65,820	65,820	-
Partner Facility Renewal	25,989	25,989	-
Preparation for Independence	60,054	60,054	-
	$ 162,396	$ 162,396	$ -

15. 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 collectible 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.

15. 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 Smith 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. However, the accumulated operating fund deficit is $3,158,130 at March 31, 2020 which puts the Society's ability to continue as a going concern in jeopardy.

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.

16. CONTINGENT LIABILITY

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) The Society was served with a class action suit claiming general, special and punitive, aggravated and exemplary damages as a result of an alleged negligence, breach of fiduciary duty and breach of confidence. The action seeks $25,000,000 in general damages, $25,000,000 in special damages and $25,000,000 in punitive, aggravated and exemplary damages plus interest and costs.

(b) The Society was served with a statement of claim on May 8, 2019 claiming the following damages: General damages for pain and suffering in the amount of $250,000 general damages for loss of future income in the amount of $500,000; general damage for future care costs in the amount of $50,000; special damages in the amount of $500,000; aggravated damages in the amount of $100,000; punitve damages in the amount of $100,000. Based on legal advice received, In July 2020 the Board of Directors decided to accrue damages of $200,000 for this claim. There is a risk that the actual settlement will exceed the amount accrued.

(c) The Society, along with most other CASs in the province of Ontario, has been named as a third party in a class action suit against the Hospital for Sick Children claiming general and punitive damages as a result of an alleged negligence and injuries. The action seeks $200,000,000 in general damages and $250,000,000 in punitive damages plus interest and costs.

(d) The Society was served with a statement of Claim on November 8, 2019 claiming the following damages: General damages for pain and suffering in the amount of $350,000.00; general damages for loss of future income in the amount of $500,000.00; general damages for future care costs in the amount of $150,000.00; special damages in the amount of $500,000.00; aggravated damages in the amount of $100,000.00; punitive damages in the amount of $1000,000.00.

The claims, other than the ones described in b) and d), 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 claim, other than that noted above. Accordingly, no provision for the possible losses have been included in these financial statements.

17. SUBSEQUENT EVENT

In the month of March, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Society has experienced closure of facilities (administrative buildings) and delay in programs, in relation to the COVID-19 pandemic. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's 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 effect of these items is not practicable at this time.