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

FINANCIAL STATEMENTS

MARCH 31, 2023

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

MARCH 31, 2023

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19

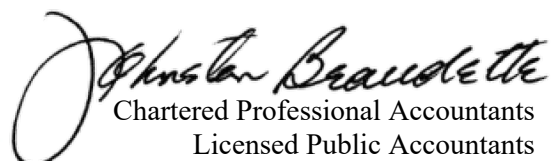
Auditor's Responsibilities for the Audit of the Financial Statements

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 concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 20, 2023
Cornwall, Ontario

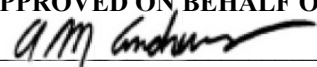

Chartered Professional Accountants
Licensed Public Accountants

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

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

	Operating Fund	Capital Fund	Donation Fund	2023	2022
CURRENT ASSETS					
Cash and cash equivalents	\$ 424,750	\$ -	\$ 423,744	\$ 848,494	\$ 1,847,723
Restricted cash	-	-	-	-	3,494
Short-term investments	-	-	-	-	126,802
Accounts receivable (Note 4)	755,283	-	-	755,283	1,415,195
Due from capital fund	246,892	-	17,563	264,455	247,125
Prepaid expenses	432,471	-	-	432,471	360,003
	1,859,396	-	441,307	2,300,703	4,000,342
CAPITAL ASSETS (Note 5)	-	2,774,575	-	2,774,575	2,325,936
CAPITAL ASSETS HELD FOR SALE (Note 5)	-	1,204,384	-	1,204,384	1,204,384
	\$ 1,859,396	\$ 3,978,959	\$ 441,307	\$ 6,279,662	\$ 7,530,662
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (Note 7)	\$ 3,088,147	\$ -	\$ -	\$ 3,088,147	\$ 4,466,843
Due to operating and donation fund	-	264,455	-	264,455	247,125
Deferred contributions (Note 8)	91,466	1,443,534	18,253	1,553,253	1,319,914
Current portion of long term debt (Note 10)	-	831,152	-	831,152	27,590
	3,179,613	2,539,141	18,253	5,737,007	6,061,472
LONG TERM DEBT (Note 10)	-	-	-	-	830,988
	3,179,613	2,539,141	18,253	5,737,007	6,892,460
FUND BALANCES					
Invested in capital assets	-	1,439,818	-	1,439,818	1,499,858
Internally restricted	-	-	423,054	423,054	469,043
Unrestricted	(1,320,217)	-	-	(1,320,217)	(1,330,699)
	(1,320,217)	1,439,818	423,054	542,655	638,202
	\$ 1,859,396	\$ 3,978,959	\$ 441,307	\$ 6,279,662	\$ 7,530,662

APPROVED ON BEHALF OF THE BOARD:

 Director
  Director (Executive Director)

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2023

	Operating Fund	Capital Fund	Donation Fund	2023	2022
REVENUES					
Ministry funding:					
Child welfare base funding	\$18,205,582	\$ -	\$ -	\$18,205,582	\$17,289,015
Balanced budget fund (Note 14)	486,022	-	-	486,022	515,230
One-time deficit assistance	-	-	-	-	195,044
Recoveries and other income	1,385,720	-	-	1,385,720	1,106,414
Donations and grants	-	-	48,325	48,325	46,779
Investment income	50,097	-	15,230	65,327	13,702
Amortization of deferred revenue	-	110,083	-	110,083	89,320
	20,127,421	110,083	63,555	20,301,059	19,255,504
EXPENSES					
Salaries and benefits	12,273,172	-	-	12,273,172	11,975,003
Direct services for children	4,954,975	-	108,416	5,063,391	4,169,621
Administration	1,634,682	-	1,128	1,635,810	1,447,817
Travel and training	774,947	-	-	774,947	630,209
Occupancy	479,163	-	-	479,163	483,388
Interest on long term debt	-	29,465	-	29,465	32,125
Amortization	-	140,658	-	140,658	128,323
	20,116,939	170,123	109,544	20,396,606	18,866,486
EXCESS OF (EXPENSES OVER REVENUES)					
REVENUES OVER EXPENSES BEFORE					
UNDERNOTED ITEMS					
	10,482	(60,040)	(45,989)	(95,547)	389,018
Realized loss on swap	-	-	-	-	(7,671)
Loss on sale of capital assets	-	-	-	-	(134,749)
EXCESS OF (EXPENSES OVER REVENUES)					
REVENUES OVER EXPENSES					
	\$ 10,482	\$ (60,040)	\$ (45,989)	\$ (95,547)	\$ 246,598

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2023

	Operating Fund	Capital Fund	Donation Fund	2023	2022
FUND BALANCES , beginning of year	\$(1,330,699)	\$ 1,499,858	\$ 469,043	\$ 638,202	\$ 391,604
Excess of (expenses over revenues) revenues over expenses	10,482	(60,040)	(45,989)	(95,547)	246,598
FUND BALANCES , end of year	\$(1,320,217)	\$ 1,439,818	\$ 423,054	\$ 542,655	\$ 638,202

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF CASH FLOW MARCH 31, 2023

	2023	2022
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Excess of (expenses over revenues) revenues over expenses	\$ (95,547)	\$ 246,598
Amortization of capital assets	140,658	128,323
	45,111	374,921
Change in non-cash working capital:		
Decrease in accounts receivable	659,912	281,951
(Increase) decrease in prepaid expenses	(72,468)	57,284
(Decrease) increase in accounts payable and accrued liabilities	(1,378,696)	741,982
Increase in deferred contributions	233,341	536,358
	(512,800)	1,992,496
CASH FLOWS FROM CAPITAL ACTIVITIES		
Net proceeds on sale of capital assets	-	404,133
Purchase of capital assets	(589,299)	(379,803)
	(589,299)	24,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments	126,802	95,880
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank indebtedness	-	(604,315)
Remeasurement gain adjustment	-	181,221
Mortgage principal repayments	(27,426)	(233,775)
	(27,426)	(656,869)
(DECREASE) INCREASE IN CASH	(1,002,723)	1,455,837
CASH, beginning of year	1,851,217	395,380
CASH, end of year	\$ 848,494	\$ 1,851,217
Cash is comprised of the following:		
Cash	\$ 848,494	\$ 1,847,723
Restricted cash	-	3,494
	\$ 848,494	\$ 1,851,217

The accompanying notes are an integral part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been 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) 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.

(b) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Short-term investments

Investment consist of a guaranteed investment certificate. The investment is initially recorded at fair value, and subsequently at amortized cost.

(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

(e) Capital assets held for sale

Capital assets held for sale comprise of land and building at the Perth location, and are accounted at the lower of their carrying amount and fair value less costs to sell. Held-for-sale capital assets are no longer depreciated.

(f) Vacation entitlements

Vacation entitlements are recorded as accrued liabilities when earned.

(g) 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").

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) Donated material and 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.

(j) Measurement uncertainty

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their collectability.

Amortization is based on the estimated useful lives of capital assets.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized when 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. 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.

Long term debt is recorded at amortized cost.

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. |

3. ECONOMIC DEPENDENCE

The Society is dependent upon the Ministry of Children, Community and Social Services for most of its current program funding.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

4. ACCOUNTS RECEIVABLE

	2023	2022
Due from other societies	\$ 381,061	\$ 403,391
Ministry of Children, Community and Social Services	226,175	866,438
General	148,047	145,366
	\$ 755,283	\$ 1,415,195

5. CAPITAL ASSETS

	2023		2022	
	Cost	Accumulated Amortization	Net Carrying amount	Net Carrying Amount
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Buildings	3,102,180	583,113	2,519,067	2,023,353
Furniture and equipment	296,773	257,860	38,913	52,796
Computer equipment	165,955	149,360	16,595	49,787
	3,764,908	990,333	2,774,575	2,325,936
Capital Assets held for sale:				
Land	86,800	-	86,800	86,800
Building	1,571,603	454,019	1,117,584	1,117,584
	1,658,403	454,019	1,204,384	1,204,384
	\$ 5,423,311	\$ 1,444,352	\$ 3,978,959	\$ 3,530,320

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

5. CAPITAL ASSETS (continued)

The Society received permission from the Province of Ontario to sell part of the Perth property in fiscal 2022. 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 for accessibility projects and general upgrades.

The property at 8 Herriott Street, Perth, Ontario is currently listed for sale.

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 balance of the bank indebtedness as at March 31, 2023 is \$Nil (2022 - \$Nil). The operating loan is secured as described in Note 10.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade and accrued liabilities	\$ 1,060,007	\$ 898,995
Salaries and benefits	(8,652)	145,246
Vacation entitlement	395,608	432,465
Post-employment benefits	828,900	799,100
Ontario child tax benefit equivalent	177,895	164,114
Due to Ministry	571,694	1,792,259
Due to children's RESPs	62,695	234,664
	\$ 3,088,147	\$ 4,466,843

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

8. DEFERRED CONTRIBUTIONS

	2023	2022
Operating fund, beginning of year	\$ 337,343	\$ 91,468
Net (decrease) increase in Ontario child tax benefit equivalent program	(1,035)	1,033
Partner Facility Renewal funding for Smiths Falls building renovations	(244,842)	244,842
Operating fund, end of year	91,466	337,343
Capital fund, beginning of year	964,318	673,835
Amortization of deferred contributions for capital assets	(110,083)	(89,320)
Funding received for capital asset additions	589,299	379,803
Capital fund, end of year	1,443,534	964,318
Donation fund	18,253	18,253
	\$ 1,553,253	\$ 1,319,914

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.

The major actuarial assumptions are as follows:

(a) Discount rate

The present value as at March 31, 2023 of the future benefits was determined using a discount rate of 4%.

(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 6.5% per annum in fiscal 2024, decreasing by 0.50% per annum to an ultimate rate of 4% per annum.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

9. POST-EMPLOYMENT BENEFITS (continued)

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

	2023	2022
Liability for post-retirement benefits, opening balance	\$ 799,100	\$ 761,000
Expense related to post-retirement benefits	68,600	78,300
Funding contributions	(38,800)	(40,200)
	\$ 828,900	\$ 799,100

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

	2023	2022
Current year benefit cost	\$ 37,400	\$ 46,000
Amortization of actuarial (gains) losses	(800)	4,900
Post-retirement benefit interest expense	32,000	27,400
	\$ 68,600	\$ 78,300

10. LONG-TERM DEBT

	2023	2022
Smiths Falls mortgage, repayable \$4,741 monthly including interest, 3.47%, due August 2023	\$ 831,152	\$ 858,578
Less current portion	(831,152)	(27,590)
	\$ -	\$ 830,988

The loan is secured by mortgages on land and building with a carrying value of \$1,845,144 (2022 - \$1,367,603) 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.

The principal payments totaling \$831,152 required in each of the next five years are as follows:

2024	\$ 831,152
2025	-
2026	-
2027	-
2028	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

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, 2023 was \$937,634 (2022 - \$951,718) for current service and is included as an expense in the operating fund, on the Statement of Operations. As at March 31, 2023 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")

	2023	2022
RESP OBLIGATIONS , beginning of year	\$ 234,664	\$ 271,520
MCCSS Directed amount from Child Special Allowance	67,500	63,421
Transfer to individual RESP accounts	(239,469)	(100,277)
RESP OBLIGATIONS , end of year	\$ 62,695	\$ 234,664

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

12. OBLIGATIONS (continued)

(b) Ontario child tax benefit equivalent ("OCBe")

	2023	2022
OCBe OBLIGATIONS , beginning of year	\$ 164,114	\$ 164,910
Grants received	57,107	43,335
Disbursements	(43,326)	(44,131)
OCBe OBLIGATIONS , end of year	\$ 177,895	\$ 164,114

(c) Ward trust funds

	2023	2022
WARD TRUST FUNDS OBLIGATIONS , beginning of year	\$ 3,494	\$ 3,477
Interest	20	17
Disbursements	(3,514)	-
WARD TRUST FUNDS OBLIGATIONS , end of year	\$ -	\$ 3,494

13. DONATION FUND

The following individual fund balances comprise the Donation Fund:

	Opening balance	Revenues	Expenses	Closing balance
Donation Funds				
General Fund	\$ 31,330	\$ 23,116	\$ 21,720	\$ 32,726
United Way	-	30,000	30,000	-
Chris Tyson Fund	149,466	-	12,151	137,315
Vivian O'Neil Fund	185,022	-	24,888	160,134
Christmas Fund	47,680	7,102	364	54,418
Snowsuit Fund	7,379	2,625	17,967	(7,963)
Education Fund	48,166	712	2,454	46,424
	\$ 469,043	\$ 63,555	\$ 109,544	\$ 423,054

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

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 ("BBF") 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 the past child welfare surplus funds in a future year, the Society must meet the following two conditions:

- the Society has generated a prior year child welfare surplus recovered by MCCSS 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:

	2023	2022
CHILD WELFARE SURPLUS , beginning of year	\$ 486,022	\$ 515,230
Current year surplus	-	972,044
Less: current year surplus not retained in the BBF	-	(486,022)
Current year appropriation	(486,022)	(515,230)
CHILD WELFARE SURPLUS , end of year	\$ -	\$ 486,022

The child welfare surplus for the year ended March 31, 2022 was \$972,044. Since the Society had a net overall surplus for that fiscal year, 50% of the surplus is accessible under the Balance Budget Fund by the Society. The Balance Budget Fund surplus balance of \$486,022 was appropriated by the Society in the current fiscal year.

15. 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	94,245	94,245	-
Preparation for Independence	60,054	60,054	-
	\$ 164,832	\$ 164,832	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

16. FINANCIAL RISKS

(a) 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.

(b) 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 changes in market prices caused by factors specific to the financial instruments or its issuer, or factors affecting all similar financial instruments in the market.

(c) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its obligations associated with its financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long term debt. During the year, the Society's exposure to liquidity risk changed from the previous year as a result of the decrease in its financial liabilities. We believe the liquidity risk is mitigated in part by the strong cash balance at year end.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest risk on its long term debt. It mitigates interest rate risk on its term debt through a fixed interest rate. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

17. SUBSEQUENT EVENT - COVID 19 PANDEMIC

During the year and subsequent to year end, the Novel Coronavirus (Covid-19) continues to significantly impact the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, there continues to be supply chain disruptions, labor shortages and increased government regulations, all of which may negatively impact the Society's business and financial condition.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

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) 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.
- (b) 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 \$250,000; Aggravated Damages in the amount of \$200,000; Punitive Damages in the amount of \$200,000.
- (c) 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-being Agencies as defendants.
- (d) On August 12, 2022 the Society was served with a lawsuit that was filed that day. The plaintiff is claiming General Damages in the amount of \$2,000,000.
- (e) On January 5, 2023 the Society was served with a lawsuit. The plaintiff is claiming General Damages for pain and suffering in the amount of \$2,650,000.

The bulk of 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 is 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.