

Financial Statements of

**CHILDREN'S AID SOCIETY  
OF TORONTO**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Members of the Children's Aid Society of Toronto

### ***Opinion***

We have audited the financial statements of Children's Aid Society of Toronto (the Society), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Annual Report 2020-2021 document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report 2020-2021 document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.



### ***Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.



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- 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 10, 2021

# CHILDREN'S AID SOCIETY OF TORONTO

Statement of Financial Position  
(In thousands of dollars)

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 12,118	\$ 16,183
Short-term investments	14,250	9,500
Funding receivable	57	309
Accounts receivable	2,413	2,334
Prepaid expenses	16,577	11,063
Receivable from Children's Aid Foundation of Canada (note 8)	11,047	12,345
	<u>56,462</u>	<u>51,734</u>
Capital assets (note 2)	32,520	34,229
	<u>\$ 88,982</u>	<u>\$ 85,963</u>
<b>Liabilities, Deferred Contributions and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 20,009	\$ 20,102
Current portion of mortgages payable (note 5)	656	5,915
	<u>20,665</u>	<u>26,017</u>
Deferred contributions (note 6):		
Expenses of future years	6,131	5,500
Capital assets	12,736	13,237
	<u>18,867</u>	<u>18,737</u>
Mortgages payable (note 5)	4,646	-
Employee future benefits (note 7)	3,076	3,227
	<u>47,254</u>	<u>47,981</u>
Fund balances:		
Operating	16,952	13,348
Internally Restricted	7,000	7,000
Special Purposes	17,776	17,634
	<u>41,728</u>	<u>37,982</u>
Commitments (note 9)		
Contingencies (note 10)		
	<u>\$ 88,982</u>	<u>\$ 85,963</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# CHILDREN'S AID SOCIETY OF TORONTO

Statement of Operations  
(In thousands of dollars)

Year ended March 31, 2021, with comparative information for 2020

	Operating		Special Purposes	
	2021	2020	2021	2020
<b>Revenue (expenses):</b>				
Government:				
Ontario (note 13)	\$ 160,497	\$ 163,316	\$ 313	\$ 330
Child Welfare Program Balanced Budget Fund (note 13)	(788)	(2,405)	—	—
Canada	3,212	3,744	—	—
City of Toronto	61	62	—	—
Grants from Children's Aid				
Foundation of Canada (note 8)	592	724	3,184	2,421
Investments	278	754	7	9
Program services	195	835	118	106
Amortization of deferred contributions relating to capital assets (note 6(b))				
	64	53	437	430
Other	436	357	276	267
	<u>164,547</u>	<u>167,440</u>	<u>4,335</u>	<u>3,563</u>
<b>Expenses:</b>				
Salaries and benefits	87,175	87,242	1,138	1,039
Board rate payments	47,029	43,590	38	—
Client-related	11,214	11,946	1,741	1,022
Occupancy and office (note 5)	7,477	10,464	150	199
Travel	1,302	2,375	10	39
Amortization of capital assets	3,101	3,690	821	814
Purchased services	1,366	2,008	161	190
Training and recruitment	258	330	82	35
Other	2,021	1,844	52	225
	<u>160,943</u>	<u>163,489</u>	<u>4,193</u>	<u>3,563</u>
<b>Excess of revenue over expenses</b>	<b>\$ 3,604</b>	<b>\$ 3,951</b>	<b>\$ 142</b>	<b>\$ —</b>

See accompanying notes to financial statements.

# CHILDREN'S AID SOCIETY OF TORONTO

## Statement of Changes in Fund Balances (In thousands of dollars)

Year ended March 31, 2021, with comparative information for 2020

2021	Operating	Internally Restricted	Special Purposes	Total
Fund balances, beginning of year	\$ 13,348	\$ 7,000	\$ 17,634	\$ 37,982
Excess of revenue over expenses	3,604	–	142	3,746
Fund balances, end of year	\$ 16,952	\$ 7,000	\$ 17,776	\$ 41,728

2020	Operating	Internally Restricted	Special Purposes	Total
Fund balances, beginning of year	\$ 9,397	\$ 7,000	\$ 17,634	\$ 34,031
Excess of revenue over expenses	3,951	–	–	3,951
Fund balances, end of year	\$ 13,348	\$ 7,000	\$ 17,634	\$ 37,982

See accompanying notes to financial statements.



# CHILDREN'S AID SOCIETY OF TORONTO

## Statement of Cash Flows (In thousands of dollars)

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses:		
Operating Fund and Special Purposes Fund	\$ 3,746	\$ 3,951
Items not involving cash:		
Amortization of capital assets	3,922	4,504
Amortization of deferred contributions relating to capital assets	(501)	(483)
Net change in deferred contributions received	631	375
Net change in employee future benefits	(151)	191
Change in non-cash operating working capital	(4,136)	(8,283)
	<u>3,511</u>	<u>255</u>
Financing activities:		
Repayment of mortgages payable	(613)	(628)
Deferred contributions for capital assets	–	1,422
	<u>(613)</u>	<u>794</u>
Investing activities:		
Purchase of capital assets	(2,213)	(3,988)
Net decrease (increase) in short-term investments	(4,750)	9,750
	<u>(6,963)</u>	<u>5,762</u>
Increase (decrease) in cash	(4,065)	6,811
Cash, beginning of year	16,183	9,372
Cash, end of year	<u>\$ 12,118</u>	<u>\$ 16,183</u>

See accompanying notes to financial statements.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements  
(In thousands of dollars)

Year ended March 31, 2021

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The Children's Aid Society of Toronto (the "Society") was originally established in 1891 and is incorporated, without share capital, under the Corporations Act (Ontario). The Society is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

The Society provides a range of protection and prevention services, as mandated by the Ontario Child, Youth and Family Services Act ("CYFSA"). Funding for these services is principally provided by the Province of Ontario. The Society is dependent upon this funding for its continued operations.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Funds:

The Society operates the following funds:

#### (i) Operating Fund:

The Operating Fund records the general operations of the Society and is primarily funded from government sources.

#### (ii) Special Purposes Fund:

The Special Purposes Fund reflects grants received from the Children's Aid Foundation of Canada ("CAFC") and donations and funding from other private sources and government for specified preventive programs and research-oriented child welfare projects.

The Society's Board of Directors restricted the use of the funds from the sales of the land on the Charles Street site to future real estate-related uses of the Society. The uncommitted amount in this Real Estate Fund, which is included in the Special Purposes Fund at March 31, 2021, was \$7,472 (2020 - \$7,089).

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (iii) Internally Restricted Fund:

The Society's Board of Directors has internally restricted \$7,000 (2020 - \$7,000) for operating purposes.

### (b) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

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 ("MCCSS"). 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 of the appropriate fund when 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 of the appropriate fund in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue related to user fees, income from services rendered and investment income is recorded as it is earned.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Short-term investments and long-term debt are recorded at cost.

There are no items to be reported on the statement of remeasurement gains and losses, and as a result, this statement has not been presented.

### (d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized annually on a straight-line basis over their estimated useful lives as follows:

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Buildings	40 years
Leasehold improvements	15 years
Furniture and equipment	5 years
Vehicles	3 years
Computer hardware and software	3 years

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# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (e) Employee future benefits:

The Society provides sick leave benefits to its employees that accumulate but do not vest. The Society accrues this obligation based on future expectation of utilization of the benefit.

The costs of multi-employer defined benefit plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contribution to the plan in the period.

The Society provides its employees with a benefits plan (including health, dental and other benefits) through an Administrative Services Only ("ASO") plan. The plan is funded by the Society based on experience and contribution factors, as determined with the plan provider. Amounts in excess of current requirements are considered surpluses and are refundable by the plan provider to the Society.

### (f) Donated goods and services:

The Society benefits from donated goods and services in the form of volunteer time. Since these donated goods and services are not purchased, they are not recorded in these financial statements.

### (g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 2. Capital assets:

2021	Cost	Accumulated amortization	Net book value
Land	\$ 217	\$ –	\$ 217
Buildings	40,722	13,974	26,748
Leasehold improvements	1,336	635	701
Furniture and equipment	12,198	8,717	3,481
Vehicles	433	427	6
Computer hardware and software	11,558	10,191	1,367
	<u>\$ 66,464</u>	<u>\$ 33,944</u>	<u>\$ 32,520</u>

2020	Cost	Accumulated amortization	Net book value
Land	\$ 217	\$ –	\$ 217
Buildings	40,438	12,959	27,479
Leasehold improvements	1,336	546	790
Furniture and equipment	10,613	7,609	3,004
Vehicles	433	359	74
Computer hardware and software	11,831	9,166	2,665
	<u>\$ 64,868</u>	<u>\$ 30,639</u>	<u>\$ 34,229</u>

## 3. Credit facilities:

The Society has a \$14,000 line of credit available which is due on demand. This credit facility is secured by a general security agreement, which allocates the Society's properties on a pro-rata basis between both lenders. No amount was outstanding under this facility at March 31, 2021 and 2020.

The Society holds an additional credit facility, with a different lender, that provides for a \$1,000 revolving lease line of credit. The \$1,000 revolving lease line of credit is due on demand. This credit facility is secured by a general security agreement, which allocates the Society's properties on a pro-rata basis between its lenders, and a collateral mortgage in the amount of \$15,000 on land and improvements owned by the Society. No amounts were outstanding under the revolving lease line of credit at March 31, 2021 and 2020.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

### 3. Credit facilities (continued):

The Society is required to comply with certain non-financial covenants in accordance with the terms of the credit facilities. As at March 31, 2021, the Society was in compliance with these covenants.

### 4. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities comprise:

	2021	2020
Accounts payable and other accruals	\$ 7,592	\$ 8,428
Salaries and benefits	12,417	11,674
	<u>\$ 20,009</u>	<u>\$ 20,102</u>

Included in salaries and benefits is \$1,126 (2020 - \$1,247) for accumulated authorized absence days. Employees earn six days of authorized absence per year of service of which four days may be carried over from year to year, provided the total days accrued does not exceed 10 days. Employees are not entitled to a cash payment on termination or retirement. The accrual is calculated based on the historic usage of this benefit.

### 5. Mortgages payable:

	Interest rate	Maturity date	2021	2020
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.90%	August 31, 2026	\$ 1,803	\$ 1,946
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.90%	August 31, 2026	1,621	1,797
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.90%	August 31, 2026	1,878	2,172
			<u>5,302</u>	<u>5,915</u>
Less current portion			656	5,915
			<u>\$ 4,646</u>	<u>\$ -</u>

Interest expense on the mortgages amounted to \$145 (2020 - \$222) and is included in occupancy and office expense.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 5. Mortgages payable (continued):

Minimum principal repayments due within each of the next five years are as follows:

2022	\$	656
2023		673
2024		689
2025		706
2026		725
Thereafter		1,853
	\$	5,302

## 6. Deferred contributions:

### (a) Expenses of future years:

Deferred contributions related to expenses of future years represent unspent amounts received for specific purposes.

	2021	2020
Balance, beginning of year	\$ 5,500	\$ 5,125
Funding received plus interest	4,129	4,261
After Hours Pilot billings in advance	149	—
Amount recognized as revenue	(3,347)	(3,610)
Ontario Child Benefit Equivalency savings accrued	(300)	(276)
Balance, end of year	\$ 6,131	\$ 5,500



# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 6. Deferred contributions:

### (b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions received for the purchase of capital assets. The amortization of these capital contributions is recorded as revenue in the statement of operations.

	2021	2020
Balance, beginning of year	\$ 13,237	\$ 12,298
Additions	–	1,422
Amount recognized as revenue	(501)	(483)
Balance, end of year	\$ 12,736	\$ 13,237

## 7. Employee future benefits:

### (a) Sick leave liability:

The employee future benefit liability includes \$2,977 for accumulated sick leave benefits (2020 - \$3,077). Under the accumulated sick leave benefit plan, employees earn 18 days per year of service and are allowed to accumulate unused sick day credits up to a maximum of 100 days. Employees are not entitled to a cash payment on termination or retirement. The accrual is calculated based on historic usage of this benefit.

### (b) Multi-employer defined benefit plan:

All regular full-time and part-time employees of the Society are eligible to be members of OMERS (the "Plan"), which is a multi-employer defined benefit plan. Employer contributions made to the Plan during 2021 by the Society for current and past service amounted to \$7,127 (2020 - \$6,935) and \$91 (2020 - \$129), respectively.

Since the Plan is a multi-employer plan, the Society's contributions are accounted for as if the Plan were a defined contribution plan with the Society's contributions being expensed in the period they come due.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 7. Employee future benefits (continued):

Any pension surplus or deficit is a joint responsibility of members and employers and may affect future contribution rates related to members. The Society does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the Society's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at December 31, 2020 indicated an actuarial deficit of \$3.2 Billion.

## 8. Children's Aid Foundation of Canada:

The CAFC raises money from the public and corporate sectors and provides grants to the Society for preventive child abuse programs, as well as research-oriented child welfare projects for which regular government funding is not available.

### (a) Grants from CAFC - Special Purposes Fund:

	2021	2020
Balance, beginning of year	\$ 4,934	\$ 4,452
Funding received from CAFC	3,340	3,450
Amount recognized as revenue	(3,184)	(2,421)
Deferred contributions - capital	-	(547)
<b>Balance, end of year</b>	<b>\$ 5,090</b>	<b>\$ 4,934</b>

The unspent balance at year end is included in deferred contributions (note 6(a)).

### (b) Grants from CAFC - Operating Fund:

Properties are leased from CAFC for rent of \$156 (2020 - \$171). CAFC donated \$156 (2020 - \$171) to the Society in connection with this rent. The leases are for a one-year term, renewable annually. In addition, \$436 (2020 - \$553) was donated for other programs. Total donations to the Operating Fund are \$592 (2020 - \$724). Included in accounts payable and accrued liabilities at year end is nil (2020 - \$171) payable to CAFC.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 8. Children's Aid Foundation of Canada (continued):

Certain administration functions are performed by the Society for CAFC for \$10 (2020 - \$10) per year.

Included in receivable from CAFC is \$10,000 (2020 - \$10,000) held by CAFC for the Real Estate Fund under an agreement between the two parties.

## 9. Commitments:

- (a) The Society has entered into operating leases up to 2027 for premises other than those leased from CAFC (note 8(b)).

Future minimum lease payments under operating leases are as follows:

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2022	\$ 1,920
2023	1,958
2024	1,998
2025	2,038
2026	2,078
Thereafter	2,120
	<hr/> \$ 12,112 <hr/>

- (b) The Society has entered into agreements with certain adoptive parents to provide financial assistance for the care of adopted children. The estimated annual commitment for each of the next five years is \$4,860 (2020 - \$4,758).

## 10. Contingencies:

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

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 11. Custodial assets:

The Society maintains cash and investments on behalf of children in the amount of \$191 (2020 - \$173). These amounts are not included in these financial statements.

The Society, as the subscriber, held registered education savings plans on behalf of children, as the beneficiary, in the amount of \$5,501 as at March 31, 2021 (2020 - \$5,350). These amounts are not included in these financial statements.

## 12. Indemnification of officers and directors:

The Society's by-law states that the Society will indemnify its directors, officers and other persons undertaking any liability on behalf of the Society from any costs, charges and expenses whatsoever which such person sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him or her or in respect of any act, deed, matter, or thing whatsoever made, done or permitted by him or her in or about the execution of duties of his or her office, except such costs, charges or expenses as are occasioned by his or her own wilful neglect or default.

The Society's basic errors and omissions insurance policy covers directors, officers and other persons for up to \$15,000 annually in the aggregate, with respect to liability for damages imposed by a court of law in connection with the execution of their duties on behalf of the Society. In addition, the Society's insurance provides up to \$10,000 annual aggregate coverage for directors and officers with respect to claims made against them in the discharge of their duties for the Society where no protection exists under the Society's basic errors and omissions policy.

In the unlikely event that a director or officer, in the execution of his or her duties, becomes liable for costs in excess of the Society's insurance coverage, the Society by-law described above obligates the Society to indemnify the individual for such costs. The nature of this indemnity prevents the Society from reasonably estimating the maximum exposure. Historically, the Society has not made significant payments nor does it expect to make any significant payments under such indemnity. While this may be a potential liability, in the Society's view, it is highly unlikely to occur.

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 13. Additional information:

The Society has service contracts and CYFSA approvals with the MCCSS. The following is a reconciliation report which summarizes by service, on a modified cash basis, all revenue and expenses and identifies any resulting surplus or deficit that relates to the service contracts and CYFSA approvals.

The following services were in a balanced position as at March 31, 2021.

### MCCSS Child Welfare Program:

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Revenue:	
MCCSS funding	\$ 158,409
Surplus (Balanced Budget Fund)	(788)
	<hr/>
	157,621
Non-MCCSS funding	4,325
	<hr/>
	161,946
Expenses:	
Board rate payments	47,076
Salaries and benefits	87,335
Client-related	11,109
Occupancy and office	11,365
Travel	1,303
Purchased services	1,056
Training and recruitment	278
Other	2,424
	<hr/>
	161,946
<b>Excess of revenue over expenses</b>	<b>\$ -</b>

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# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 13. Additional information (continued):

Reconciliation of statement of operations to funding report provided to MCCSS:

Total Operating Fund revenue	\$ 164,547
Add:	
Other	26
Less:	
MCCSS generic program funding	2,088
Non-MCCSS revenue for generic program	475
Non-MCCSS revenue for Child Welfare Program	4,325
Amortization of deferred contributions	64
	<u>6,952</u>
Total Child Welfare Program funding	<u>\$ 157,621</u>
Total Operating Fund expenses	\$ 160,943
Add:	
Purchase of capital assets	2,213
Changes in certain prepaid expenses	4,854
Boarding rate charges related to Child Welfare Program	389
	<u>7,456</u>
Less:	
MCCSS generic program expenses	2,952
Amortization of capital assets	3,101
Change in certain accrued liabilities	400
	<u>6,453</u>
Total Child Welfare Program expenses	<u>\$ 161,946</u>

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 13. Additional information (continued):

During 2014, MCCSS announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the balanced budget requirements. The Balanced Budget Fund process was initially developed individually for each Children's Aid Society to will reflect the accumulated surplus that was returned to MCCSS each year. To be eligible to access these funds, the Society must meet two conditions:

- (a) the Society must have generated a prior year surplus recovered in or after 2013/14; and
- (b) the Society must require additional funding in a future year for child welfare operations in order that they will not incur a deficit. The required amount cannot exceed the total accumulated Balanced Budget Fund surplus.

Effective for the year ended March 31, 2021, MCCSS will retain 50% of certain surpluses generated by individual Children's Aid Societies in a separate Ministry Balanced Budget Fund whereby such funds will be used at the discretion of MCCSS. The following represents the Society's Balanced Budget Fund balance:

	2021	2020
Balance, beginning of year	\$ 4,590	\$ 2,185
Surplus generated	788	2,405
Surplus allocated to MCCSS Balanced Budget Fund	(394)	-
<b>Balance, end of year</b>	<b>\$ 4,984</b>	<b>\$ 4,590</b>

The Society's ability to access and use Balanced Budget Funds will expire as follows:

March 31, 2022	\$ 2,185
March 31, 2023	2,405
March 31, 2024	394
	<b>\$ 4,984</b>

# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

## 13. Additional information (continued):

### MCCSS Non-Child Welfare Programs:

	Children's Community Accommodation	Children's Development Community Support	Community Prevention Supports	Broader Public Sector Other Children's Services	Provincial initiatives	MCCSS Total	Provincial initiatives	Grand total
Revenue:								
MCCSS funding	\$ 310	\$ 66	\$ 1,415	\$ 11	\$ 178	\$ 1,980	\$ 108	\$ 2,088
Boarding rate charges related to Child Welfare Program	-	-	389	-	-	389	-	389
Non-MCCSS revenue	-	-	475	-	-	475	-	475
Total revenue	310	66	2,279	11	178	2,844	108	2,952
Expenses:								
Salaries and benefits	99	63	1,728	-	-	1,890	108	1,998
Board rate payments	207	-	-	11	-	218	-	218
Client-related	1	2	347	-	111	461	-	461
Occupancy and office	-	-	11	-	-	11	-	11
Travel	3	1	3	-	-	7	-	7
Purchased services	-	-	190	-	67	257	-	257
Total expense	310	66	2,279	11	178	2,844	108	2,952
Excess of revenue over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



# CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2021

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## 14. Financial risks:

### (a) 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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

The contractual maturities of mortgages payable are disclosed in note 5.

### (b) Interest rate risk:

Interest rate risk is the potential for loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Society's mortgages payable have a variable interest rate based on banker's acceptance rates plus a margin. As a result, the Society is exposed to interest rate risk due to fluctuations in the bankers' acceptance rate. The Society's short-term investments consist of GICs with interest rates ranging from 0.45% to 1.15% (2020 - 1.80% to 1.97%) maturing within a year.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the funding receivable, accounts receivable and receivable from CAFC.

The Society assesses, on a continuous basis, amounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Society at March 31, 2021 is the carrying value of these assets. Currently there is no allowance for doubtful accounts.

There have been no significant changes to the risk exposures from 2020, inclusive of the impact of the COVID-19 pandemic.