

**The Children's Aid Society
of the Region of Peel**

Financial Statements
March 31, 2020



Independent auditor's report

To the Board of Directors and Members of The Children's Aid Society of the Region of Peel

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Children's Aid Society of the Region of Peel (the Organization) as at March 31, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of remeasurement gains and losses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 9, 2020

The Children's Aid Society of the Region of Peel

Statement of Financial Position

As at March 31, 2020

	Operating Fund		Capital Fund		Ministry and Other Restricted Funds		Special Purpose Fund		Accumulated remeasurement gains and losses		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$ (restated – note 16)	2020 \$	2019 \$ (restated – note 16)
Assets												
Current assets												
Cash (notes 8 and 9)	3,620,092	4,114,894	2,044,958	6,573,760	436,970	392,765	1,106,498	1,082,398	-	-	7,208,518	12,163,817
Accounts receivable from the Ministry	1,819,552	-	-	-	-	-	-	-	-	-	1,819,552	-
Accounts receivable	1,566,496	2,159,124	-	-	-	-	-	-	-	-	1,566,496	2,159,124
Accounts receivable from Operating Fund	-	-	-	-	391,111	284,179	-	-	-	-	391,111	284,179
Accounts receivable from Capital Fund	2,217,966	1,313,442	-	-	4,785	25,272	-	-	-	-	2,222,751	1,338,714
Prepaid expenses	720,632	625,461	781,182	-	-	-	-	-	-	-	1,501,814	625,461
	9,944,738	8,212,921	2,826,140	6,573,760	832,866	702,216	1,106,498	1,082,398	-	-	14,710,242	16,571,295
Capital assets (note 3)	-	-	47,687,190	24,094,743	-	-	-	-	-	-	47,687,190	24,094,743
	9,944,738	8,212,921	50,513,330	30,668,503	832,866	702,216	1,106,498	1,082,398	-	-	62,397,432	40,666,038
Liabilities and Fund Balances												
Current liabilities												
Accounts payable and accrued liabilities (notes 8 and 13)	5,710,016	5,673,316	3,414,805	-	436,970	392,765	-	-	-	-	9,561,791	6,066,081
Accounts payable to the Ministry	-	872,222	-	-	-	-	-	-	-	-	-	872,222
Deferred revenue (notes 8 and 9)	-	-	-	-	758,284	671,839	-	-	-	-	758,284	671,839
Accounts payable to Operating Fund	-	-	2,217,966	1,313,442	-	-	-	-	-	-	2,217,966	1,313,442
Accounts payable to Ministry Restricted Fund	391,111	284,179	4,785	25,272	-	-	-	-	-	-	395,896	309,451
Loan payable (note 15)	-	-	6,502,957	1,000,000	-	-	-	-	-	-	6,502,957	1,000,000
	6,101,127	6,829,717	12,140,513	2,338,714	1,195,254	1,064,604	-	-	-	-	19,436,894	10,233,035
Deferred lease inducement obligation (note 4)	-	-	26,569	141,335	-	-	-	-	-	-	26,569	141,335
Deferred capital contributions	3,950,755	1,700,402	-	-	-	-	-	-	-	-	3,950,755	1,700,402
Derivative liability (note 10)	-	-	-	-	-	-	-	-	10,381,590	4,062,533	10,381,590	4,062,533
Loan payable (note 15)	-	-	31,692,755	21,510,875	-	-	-	-	-	-	31,692,755	21,510,875
	10,051,882	8,530,119	43,859,837	23,990,924	1,195,254	1,064,604	-	-	10,381,590	4,062,533	65,488,563	37,648,180
Fund Balances												
Invested in capital assets	-	-	6,653,493	6,677,579	-	-	-	-	-	-	6,653,493	6,677,579
Externally restricted	-	-	-	-	(362,388)	(362,388)	-	-	-	-	(362,388)	(362,388)
Internally restricted	-	-	-	-	-	-	1,106,498	1,082,398	-	-	1,106,498	1,082,398
Unrestricted (note 5)	(107,144)	(317,198)	-	-	-	-	-	-	-	-	(107,144)	(317,198)
Accumulated remeasurement losses	-	-	-	-	-	-	-	-	(10,381,590)	(4,062,533)	(10,381,590)	(4,062,533)
	(107,144)	(317,198)	6,653,493	6,677,579	(362,388)	(362,388)	1,106,498	1,082,398	(10,381,590)	(4,062,533)	(3,091,131)	3,017,858
	9,944,738	8,212,921	50,513,330	30,668,503	832,866	702,216	1,106,498	1,082,398	-	-	62,397,432	40,666,038
Contingencies (note 11)												
Commitments (note 12)												

Approved by the Board of Directors _____

Director _____

Director _____

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

The Children's Aid Society of the Region of Peel
Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2020

	Operating Fund		Capital Fund		Ministry and Other Restricted Funds		Special Purpose Fund		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$ (schedule)	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Revenue										
Ministry funding	68,845,155	66,813,787	332,988	822,157	693,769	1,045,293	-	-	69,871,912	68,681,237
Income from other sources	-	-	108,404	153,665	-	-	24,100	20,821	132,504	174,486
Gain on sale of assets	-	-	-	3,791,481	-	-	-	-	-	3,791,481
	68,845,155	66,813,787	441,392	4,767,303	693,769	1,045,293	24,100	20,821	70,004,416	72,647,204
Expenditures										
Adoption costs	744,724	729,434	-	-	151,110	141,527	-	-	895,834	870,961
Boarding rates	10,932,968	10,892,032	-	-	-	-	-	-	10,932,968	10,892,032
Building occupancy	2,670,777	2,842,267	-	-	-	-	-	-	2,670,777	2,842,267
Clients' personal needs	1,249,103	809,333	-	-	252,477	499,672	-	-	1,501,580	1,309,005
Employee benefits	9,672,812	9,049,024	-	-	-	23,776	-	-	9,672,812	9,072,800
Health and related costs	459,683	480,674	-	-	-	-	-	-	459,683	480,674
Miscellaneous	482,811	394,463	-	-	-	-	-	-	482,811	394,463
Office administration	340,725	219,040	-	-	-	-	-	-	340,725	219,040
Other program costs	195,495	176,144	-	-	-	-	-	-	195,495	176,144
Promotion and publicity	346,228	287,202	-	-	-	413	-	-	346,228	287,615
Purchased services – client	801,791	490,653	-	-	283,420	289,804	-	-	1,085,211	780,457
Purchased services – non-client	353,326	564,203	-	-	-	-	-	-	353,326	564,203
Salaries and wages	39,246,168	38,660,294	-	-	-	86,902	-	-	39,246,168	38,747,196
Technology	1,113,032	658,479	-	-	-	-	-	-	1,113,032	658,479
Training and recruitment	552,202	446,853	-	-	3,274	2,560	-	-	555,476	449,413
Travel	1,515,048	1,456,178	-	-	3,488	639	-	-	1,518,536	1,456,817
Amortization – net	-	-	367,678	465,288	-	-	-	-	367,678	465,288
	70,676,893	68,156,273	367,678	465,288	693,769	1,045,293	-	-	71,738,340	69,666,854
Expenditure recoveries	1,943,992	1,632,381	-	-	-	-	-	-	1,943,992	1,632,381
	68,732,901	66,523,892	367,678	465,288	693,769	1,045,293	-	-	69,794,348	68,034,473
Surplus of revenue over expenditures for the year	112,254	289,895	73,714	4,302,015	-	-	24,100	20,821	210,068	4,612,731
Fund balances – Beginning of year	(317,198)	(686,893)	6,677,579	2,455,364	(362,388)	(362,388)	1,082,398	1,061,577	7,080,391	2,467,660
Transfer to Operating Fund from Capital Fund	97,800	79,800	(97,800)	(79,800)	-	-	-	-	-	-
Fund balances – End of year (note 5)	(107,144)	(317,198)	6,653,493	6,677,579	(362,388)	(362,388)	1,106,498	1,082,398	7,290,459	7,080,391

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

The Children's Aid Society of the Region of Peel

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2020

	2020 \$	2019 \$
Accumulated remeasurement losses – Beginning of year	(4,062,533)	-
Change in unrealized losses attributable to derivative liability (note 10)	(6,319,057)	(4,062,533)
Accumulated remeasurement losses – End of year	<u>(10,381,590)</u>	<u>(4,062,533)</u>

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

The Children's Aid Society of the Region of Peel

Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Surplus of revenue over expenditures for the year	210,068	4,612,731
Items not affecting cash		
Amortization of capital assets	482,444	580,051
Amortization of deferred lease inducement (note 4)	(114,766)	(114,763)
Amortization of deferred capital contributions	(312,501)	(403,688)
Gain on sale of capital asset	-	(3,791,483)
	<u>265,245</u>	<u>882,848</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	592,628	(1,559,292)
Accounts receivable/accounts payable from/to Ministry – net	(2,691,774)	2,545,521
Prepaid expenses	(876,353)	(349,887)
Accounts payable and accrued liabilities	3,495,710	(1,026,627)
Deferred revenue	86,445	(138,701)
	<u>871,900</u>	<u>353,862</u>
Investing activities		
Acquisition of capital assets	(24,074,891)	(14,831,929)
Proceeds on sale of capital asset	-	5,413,684
	<u>(24,074,891)</u>	<u>(9,418,245)</u>
Financing activities		
Payments of loan payable (note 15)	(1,000,000)	(1,000,000)
Proceeds from loan payable (note 15)	16,684,837	15,615,875
Capital contributions received	2,562,854	1,252,481
	<u>18,247,691</u>	<u>15,868,356</u>
Change in cash during the year	(4,955,299)	6,803,973
Cash – Beginning of year	12,163,817	5,359,844
Cash – End of year	<u>7,208,518</u>	<u>12,163,817</u>
Supplemental information		
Acquisition of capital assets financed with loan payable	-	7,895,000

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

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

1 Nature and purpose of organization

The Children's Aid Society of the Region of Peel (the Organization or the Society) is a not-for-profit organization incorporated without share capital under the laws of the Province of Ontario. The Organization is a registered charity (registration number 10694294 RR0001) and as such is exempt from income taxes and may issue income tax receipts to donors.

The Organization's mission is to ensure the safety and well-being of children and to strengthen families through partnership. The primary service is to protect children from abuse and neglect and help parents and caregivers build healthy families. The Organization works with families who may be facing challenges such as poverty, unemployment, ill health, domestic violence, mental health issues or caring for a child who has serious physical, emotional or developmental difficulties.

The Organization is funded by the Province of Ontario in accordance with budget arrangements by the Ministry of Children, Community and Social Services (MCCSS or the Ministry).

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards that apply to government not-for-profit organizations (PSAS). A summary of the significant accounting policies is as follows.

Revenue recognition

The Organization follows the deferral method of accounting for contributions; contributions include donations and government grants.

Revenue and expenditures are accounted for on the accrual basis, which recognizes revenue as it becomes available and measurable. Expenditures related to specific funds are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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 a subsequent period.

These financial statements reflect arrangements (including the setting up of a Balanced Budget Fund as described in note 14) approved by the Ministry with respect to the year ended March 31, 2020.

Operating Fund

The Operating Fund accounts for the Organization's operating and administration activities. This fund reports the unrestricted resources and operating grants.

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

Capital Fund

The Capital Fund reflects the extent to which the Organization's resources are not available for other purposes because they are invested in capital assets. All amortization and gains or losses on the disposal of capital assets are charged directly to this fund.

Ministry and Other Restricted Funds

Ministry and Other Restricted Funds report restricted resources for specified purposes outside of the operating funding received from the Ministry and other funders. These funds report the revenue and expenses of various projects, as approved by the Ministry and other funders during the year, and receipts for the Universal Child Care Benefit to be allocated to a Registered Education Savings Plan (note 8).

The Ontario Child Benefit Equivalent Fund represents the Ontario Child Benefit Equivalent credit received for children in care. This fund is restricted for a savings program set up as restricted cash and an activities program included in the statement of operations and changes in fund balances.

Special Purpose Fund

The Special Purpose Fund is a reserve fund established for the purpose of future special projects at the discretion of the Board of Directors. This fund was established with \$200,000 of donated funds raised during the years prior to the creation of the Peel Children's Aid Foundation (the Foundation).

Contributed services

Volunteers contribute a large number of hours per week to assist the Society in carrying out its activities. Despite the fact that without these volunteer hours certain activities would have to be cut back or possibly cancelled, and these services would not otherwise be purchased, the value of contributed services has not been recognized in these financial statements.

Financial instruments

The Organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, loans payable and derivative liability.

Financial assets and liabilities are recognized when the Organization becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights and obligations to receive or repay cash flows from the assets and liabilities have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership.

The Organization initially recognizes all its financial assets and liabilities at fair value and subsequently at amortized cost except for the derivative liability, which is measured at fair value.

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

Financial assets, at amortized cost, are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired. 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.

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Derivatives are measured as Level 2 fair value instruments.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at the following annual rates:

Buildings	2%
Computer and equipment	45%
Vehicles	30%
Furniture and equipment	20%
Leasehold improvements	Straight-line over the term of the lease

Assets under construction are not amortized until the asset is substantially complete and available for use. The Organization may receive lease inducements on entering into agreements for either office space or residential housing. Lease inducements, where material, are initially deferred and amortized into operations over the term of the related lease

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment charge is calculated as the difference between the fair value of the asset and its carrying value.

Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

the reporting period. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations and changes in fund balances in the period in which they become known.

3 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net \$
Land	11,574,119	-	11,574,119
Buildings	34,756,958	306,980	34,449,978
Computers and equipment	1,740,276	980,241	760,035
Vehicles	42,400	36,343	6,057
Furniture and equipment	457,858	-	457,858
Leasehold improvements	2,778,914	2,339,771	439,143
	<u>51,350,525</u>	<u>3,663,335</u>	<u>47,687,190</u>
	2019		
	Cost \$	Accumulated amortization \$	Net \$
Land	11,574,119	-	11,574,119
Buildings	11,844,832	298,185	11,546,647
Computers and equipment	1,294,078	708,300	585,778
Vehicles	42,400	33,746	8,654
Leasehold improvements	2,520,205	2,140,660	379,545
	<u>27,275,634</u>	<u>3,180,891</u>	<u>24,094,743</u>

In fiscal year 2020, the Organization capitalized interest for \$1,052,990 (2019 – \$311,736) to capital assets. Included in building is \$34,229,816 (2019 – \$11,106,832) related to a building under construction (note 15).

4 Deferred lease inducement obligation

During 2005, the Organization incurred leasehold improvements of \$1,311,415, of which \$1,121,140 was reimbursed through a lease inducement, which has been deferred and amortized over 15 years. Accumulated amortization on this deferred lease inducement as at March 31, 2020 is \$1,108,688 (2019 – \$1,033,945).

During 2011, the Organization received a lease inducement of \$291,691, which has been deferred and will be amortized over 9.5 years. Accumulated amortization on this deferred lease inducement as at March 31, 2020 is \$281,457 (2019 – \$250,752).

During 2012, the Organization received a lease inducement of \$80,749, which has been deferred and will be amortized over nine years. Accumulated amortization on this deferred lease inducement as at March 31, 2020 is \$76,867 (2019 – \$67,549).

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

5 Unrestricted fund deficit

The Ministry does not provide advance funding for vacation salaries and benefits accrued but does provide funding for these obligations as payments are made.

The unrestricted fund deficit comprises:

	2020	2019
	\$	\$
Accrued vacation and other accrued compensation	879,975	992,229
Accumulated unrestricted fund surplus	(772,831)	(675,031)
	<u>107,144</u>	<u>317,198</u>

6 Bank indebtedness

The Society has a revolving demand loan facility of \$2,000,000, with interest charged at the bank's prime rate. As at March 31, 2020 and 2019, \$nil amounts were drawn under this facility.

7 Employee future benefits

Substantially all of the employees of the Society are members of the Ontario Municipal Employees Retirement Fund (the plan), which is a multi-employer defined benefit pension plan. The plan specifies the amount of retirement benefit to be received by the employee based on the length of service and rates of pay. The plan is accounted for as a defined contribution pension plan. During the year, the Society remitted \$7,568,924 (2019 – \$7,516,685) to the plan.

8 Registered Education Savings Plan

As required by Policy Directive CW005-16 of the Ministry, the Society uses the funds equivalent to the June 2016 federal Universal Child Care Benefit (UCCB) payment received from the federal government to establish Registered Education Savings Plans (RESPs) for eligible children in care, as defined by said policy directive. The Society is required to hold RESPs on behalf of a child or youth until the child or youth enrolls in a qualifying post-secondary education or training program, reaches 25 years of age or has left care, and the Society shall transfer the funds in the RESP to the child's or youth's caregiver.

For the current fiscal year, the Society received UCCB and equivalent to UCCB for 414 cumulative eligible children and youth, and the Society holds 297 RESPs on behalf of children and youth in care.

The Children's Aid Society of the Region of Peel

Notes to Financial Statements

March 31, 2020

A summary of the contributions made to the RESPs and the remaining amount in the Society's accounts is as follows:

	\$
Undistributed UCCB and equivalent to UCCB funding included in the Society's deferred revenue as at March 31, 2019	291,624
Receipt of equivalent to UCCB funds	170,060
Contributions to RESPs	(67,060)
RESP redemption to be paid to CICs	3,846
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Undistributed UCCB and equivalent to UCCB funding included in the Society's deferred revenue as at March 31, 2020	<u>398,470</u>

A summary of amounts held in trust in RESPs that are not recorded in these financial statements is as follows:

	\$
Total value of all RESPs as at March 31, 2019	1,451,383
Changes during the year	
Contributions to RESPs	67,060
Canada Education Savings Grants received	(5,412)
Canada Learning Bonds received	(2,500)
Transfer to caregivers	(40,223)
Redemption of RESPs	(50,180)
Decrease in investment	(38,210)
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Total value of all RESPs as at March 31, 2020	<u>1,381,918</u>

9 Ontario Child Benefit Equivalent funding

In adherence to Policy Directive CW002-08 of the Ministry, the Society will use the Ontario Child Benefit Equivalent (OCBE) pooled funds from the provincial government to provide all children and youth under care, ages zero to 17, with access to recreational, educational, cultural and social opportunities. As at March 31, 2020, \$355,029 (2019 – \$352,087) is included in deferred revenue with respect to these activities.

In addition, youth in care from ages 15 to 17 will also participate in a savings program that saves OCBE funds to assist them in transitional planning and supporting them to transition successfully to independent living. As at March 31, 2020, \$436,970 (2019 – \$392,765) is included in accounts payable and accrued liabilities with respect to this savings program.

10 Derivative liability

The Organization entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its long-term debt for the new building development. The swap effectively locked-in the interest rate applicable on the long-term debt. The swap agreement requires periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Notional amount represents the contract amount to which interest rates are applied to calculate the cash flows to be exchanged. The notional amount of the Organization's interest rate swap as at March 31, 2020 and 2019 is \$46,000,000.

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Fair value of the interest rate swaps was calculated based on the present value of the estimated future cash flows using observable Canadian dollar interest rate swap yield curves obtained from dealer quotes. Fair value as at March 31, 2020 of the interest rate swap is \$10,381,590 (2019 – \$4,062,533) and is reported as a liability on the statement of financial position.

11 Contingencies

In the normal course of business, the Organization receives statements of claim; however, the outcomes of these claims are uncertain and, as a result, no amounts have been accrued in these financial statements. The Organization will record the expenditure, if any, when the outcome and settlement amount is reasonably determinable, net of insurance coverage.

12 Commitments

The Organization has operating leases for premises under various terms. The minimum annual lease payments for the next five years are as follows:

	Lease payments \$
2021	903,731
2022	107,450
2023	107,759
2024	109,976
2025	109,976
2026 and thereafter	<u>268,055</u>
	<u>1,606,947</u>

13 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. As at March 31, 2020, government remittances to the federal and provincial governments included in accounts payable and accrued liabilities amounted to \$130,944 (2019 – \$192,206). These amounts are not in arrears.

14 Balanced Budget Fund

In fiscal 2014, the Ministry announced the creation of a Balanced Budget Fund to support Children's Aid Societies (CASs) in meeting the newly announced balanced budget requirement set out in Regulation 70 and in proactively managing the risks associated with a multi-year budget planning process. The Balanced Budget Fund was developed on an individual CAS basis, of an amount up to each CAS's accumulated surplus that has been returned to the Ministry following the implementation of the new funding model in fiscal 2014.

In order to be eligible to access these funds in a future year, the Organization must meet two conditions:

- the Organization must have generated a prior year surplus recovered in or after fiscal 2014; and

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- in a subsequent year, the Organization requires additional funding in an amount up to its total accumulated prior year surplus to balance its budget.

As at March 31, 2020, the unaccessed Balanced Budget Fund contributions are as follows:

- the fiscal 2017 surplus of \$1,821,737 will expire in fiscal 2020, of which \$1,819,552 is applied in fiscal year 2020; and
- the fiscal 2019 surplus of \$872,222 will expire in fiscal 2023.

The Balanced Budget Fund is with the Ministry and is not recorded in these financial statements.

15 Long-term occupancy

On April 18, 2018, the Organization entered into a purchase sale contract to purchase land and a design build contract with a contractor to design and construct a building with an expected occupancy date of July 2020. As at March 31, 2020, the Organization has capitalized \$45,803,935 (2019 – \$22,433,951) in land and construction-in-progress related to the design and construction contract of the new building.

As part of the purchase of the land, a non-interest bearing outstanding promissory note of \$7,895,000 maturing August 31, 2020 was issued to the seller of the land. During the year, the Organization paid \$1,000,000 (2019 – \$1,000,000) to the seller pursuant to the terms of the promissory note. As at March 31, 2020, \$5,895,000 (2019 – \$6,895,000) of this note was outstanding. This note is secured by a letter of credit of \$5,895,000, which bears interest at 1%.

Additional financing for the cost of the land and the building was financed by lines of credit with a financial institution up to \$46,000,000. These lines of credit bear interest at the Royal Bank Prime rate. As at March 31, 2020, \$32,300,712 (2019 – \$15,615,873) were drawn against these facilities. In August 2020, the total amount financed will be converted into a 25-year mortgage.

As at March 31, 2020, \$6,502,957 has been reflected as a current liability based on the repayment terms of the 25-year mortgage and promissory note payable.

The Organization received \$442,052 in donations for Peel Capital funding project from the Peel Children's Aid Foundation.

16 Prior period adjustment

During the year, management identified a derivative financial instrument for an interest rate swap (note 10) that was not accounted for in the previously issued financial statements for the year ended March 31, 2019. As a result, management recorded an adjustment in the amount of \$4,062,533 to recognize the fair value of the derivative in its previously issued financial statements. Consequently, total liabilities as at March 31, 2019, originally reported as \$33,585,647, was adjusted to \$37,648,180 to reflect the recognition of the derivative liability, with a corresponding amount reflected as a remeasurement loss for the year ended March 31, 2019. There is no impact to the statements of operations and changes in fund balances and cash flows for the year ended March 31, 2019.

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17 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

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Schedule of Ministry and Other Restricted Funds – Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2020

	Community Capacity Building (A771) \$	OCBE funding \$	UCCB funding \$	Targeted subsidy for adoption \$	Education liaison \$	Total \$
Revenue						
Government grants	209,900	185,417	67,060	151,110	80,282	693,769
Expenditures						
Adoption costs	-	-	-	151,110	-	151,110
Building occupancy	-	-	-	-	-	-
Clients' personal needs	-	185,417	67,060	-	-	252,477
Employee benefits	-	-	-	-	-	-
Promotional and publicity	-	-	-	-	-	-
Purchased services – client	209,900	-	-	-	73,520	283,420
Salaries and wages	-	-	-	-	-	-
Training and recruitment	-	-	-	-	3,274	3,274
Travel	-	-	-	-	3,488	3,488
	209,900	185,417	67,060	151,110	80,282	693,769
Excess of expenditures over revenue – representing fund balances – End of year	-	-	-	-	-	-

The Society has a service contract/Children and Family Services Act (CFSA) approval with the Ministry. A reconciliation report summarizes, by service, all revenue and expenditures and identifies any resulting surplus or deficit that relates to the service contract/CFSA approval.