

Children's Aid Society of London & Middlesex
Financial Statements
Year ended March 31, 2021

Children's Aid Society of London & Middlesex

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For the year ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of the Children's Aid Society of London & Middlesex:

Report on Financial Statements

Opinion

We have audited the financial statements of Children's Aid Society of London & Middlesex (the "Organization"), which comprise the statement of financial position as at March 31, 2021, the statements of operations and changes in fund balances, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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.

London, Ontario

May 26, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Children's Aid Society of London & Middlesex
Statement of Financial Position

As at March 31, 2021

	<i>Operating fund</i>		<i>Capital fund</i>		<i>Restricted funds</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>Total 2021</i>	<i>Total 2020</i>
Assets								
Current								
Cash	\$ 2,485,801	\$ 4,361	\$ -	\$ -	\$ 1,050,128	\$ 1,073,541	\$ 3,535,929	\$ 1,077,902
Restricted cash (Note 4)	-	-	-	-	1,397,245	1,237,787	1,397,245	1,237,787
Accounts receivable and receivables from the Ministry	87,180	1,498,348	-	-	7,000	-	94,180	1,498,348
Statutory government remittances receivable	415,584	368,276	-	-	-	-	415,584	368,276
Interfund balances	-	4,465,667	-	(4,595,210)	-	129,544	-	-
Prepaid expenses	809,309	421,750	-	-	-	-	809,309	421,750
	3,797,874	6,758,401	-	(4,595,210)	2,454,373	2,440,871	6,252,247	4,604,062
Long term								
Property, buildings and equipment (Note 5)	-	-	4,193,262	3,365,590	-	-	4,193,262	3,365,590
	\$ 3,797,874	\$ 6,758,401	\$ 4,193,262	\$ (1,229,621)	\$ 2,454,373	\$ 2,440,871	\$ 10,445,509	\$ 7,969,652

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

Children's Aid Society of London & Middlesex
Statement of Financial Position

As at March 31, 2021

	<i>Operating fund</i>		<i>Capital fund</i>		<i>Restricted funds</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>Total 2021</i>	<i>Total 2020</i>
Liabilities								
Current								
Bank indebtedness (<i>Note 6</i>)	\$ -	\$ 603,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 603,510
Accrued vacation pay	2,857,659	2,526,761	-	-	-	-	2,857,659	2,526,761
Accrued payroll	1,004,220	878,768	-	-	-	-	1,004,220	878,768
Due to Ministry of Children and Youth Services	325,780	-	-	-	-	-	325,780	-
Other accounts payable and accrued liabilities	3,110,258	3,513,684	-	-	120,511	152,981	3,230,769	3,666,665
Statutory government remittances payable	32,458	53,667	-	-	-	-	32,458	53,667
Deferred revenue (<i>Note 7</i>)	-	20,000	-	-	138,924	196,420	138,924	216,420
RESP Funds in trust (<i>Note 4</i>)	-	-	-	-	938,157	790,259	938,157	790,259
OCBe Funds in trust - savings program (<i>Note 4</i>)	-	-	-	-	459,088	447,527	459,088	447,527
	7,330,375	7,596,390	-	-	1,656,680	1,587,188	8,987,055	9,183,578
Accrued benefit obligation (<i>Note 8</i>)	1,209,454	1,025,747	-	-	-	-	1,209,454	1,025,747
	8,539,829	8,622,137	-	-	1,656,680	1,587,188	10,196,509	10,209,325
Commitments (<i>Note 11</i>)								
Contingent Liabilities (<i>Note 17</i>)								
Fund balances								
Externally restricted (<i>Note 9</i>)	-	-	-	-	797,693	853,683	797,693	853,683
Accumulated surplus (deficit) (<i>Note 10</i>)	(4,741,955)	(1,863,736)	4,193,262	(1,229,621)	-	-	(548,693)	(3,093,357)
	(4,741,955)	(1,863,736)	4,193,262	(1,229,621)	797,693	853,683	249,000	(2,239,673)
	\$ 3,797,874	\$ 6,758,401	\$ 4,193,262	\$ (1,229,621)	\$ 2,454,373	\$ 2,440,871	\$ 10,445,509	\$ 7,969,652

Approved on behalf of the Board

Director

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

Children's Aid Society of London & Middlesex
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2021

	Operating fund		Capital fund		Restricted funds			
	2021	2020	2021	2020	2021	2020	Total 2021	Total 2020
Revenue								
Government funding (Note 12)	\$ 55,320,267	\$ 58,115,155	\$ 105,800	\$ -	\$ -	\$ -	\$ 55,426,067	\$ 58,115,155
Federal child benefits	1,421,852	1,518,805	-	-	-	-	1,421,852	1,518,805
Recharges, recoveries and other	527,927	975,131	-	-	-	-	527,927	975,131
Grant revenue	85,000	85,000	-	-	233,660	152,144	318,660	237,144
Contributions and fundraising	-	-	-	-	108,914	114,271	108,914	114,271
Interest	21,326	19,999	-	-	4,715	13,323	26,041	33,322
	57,376,372	60,714,090	105,800	-	347,289	279,738	57,829,461	60,993,828
Expenses								
Net expenses - operating fund (Schedule 1)	54,516,611	58,760,088	-	-	-	-	54,516,611	58,760,088
Grant expenses	-	-	-	-	238,375	165,467	238,375	165,467
Prevention programs and awards	-	-	-	-	183,955	121,822	183,955	121,822
Amortization	-	-	379,224	371,115	-	-	379,224	371,115
Loss on disposal of property, building and equipment	-	-	22,622	2,472	-	-	22,622	2,472
	54,516,611	58,760,088	401,846	373,586	422,330	287,288	55,340,787	59,420,962
Excess (deficiency) of revenue over expenses	2,859,761	1,954,002	(296,046)	(373,586)	(75,041)	(7,550)	2,488,673	1,572,866
Fund balances, beginning of year	(1,863,736)	(3,817,738)	(1,229,621)	(856,034)	853,683	861,234	(2,239,673)	(3,812,539)
Interfund transfers (Note 13)	(5,737,980)	-	5,718,929	-	19,051	-	-	-
Fund balances, end of year	\$ (4,741,955)	\$ (1,863,736)	\$ 4,193,262	\$ (1,229,621)	\$ 797,693	\$ 853,683	\$ 249,000	\$ (2,239,673)

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex

Statement of Cash Flows

For the year ended March 31, 2021

	2021	2020
Operating activities		
Excess of revenues over expenditures for the year	\$ 2,488,673	\$ 1,572,866
Less items not affecting cash		
Amortization of property, building and equipment	379,224	371,115
Loss on disposal of property, building and equipment	22,622	2,472
Increase (decrease) in accrued benefit obligation	183,707	(79,978)
Net change in non-cash working capital balances (<i>Note 15</i>)	1,376,288	217,768
	4,450,514	2,084,242
Investing activities		
Acquisition of property, building and equipment	(1,229,518)	(198,958)
Financing activities		
Decrease in bank indebtedness	(603,510)	(1,818,565)
Increase in cash	2,617,486	66,719
Cash, beginning of year	2,315,688	2,248,969
Cash, end of year	\$ 4,933,174	\$ 2,315,688
Cash consists of:		
Cash	\$ 3,535,929	\$ 1,077,902
Restricted Cash	1,397,245	1,237,787
	\$ 4,933,174	\$ 2,315,688

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

1. Purpose of the Organization

Funded by the Ministry of Children, Community and Social Services, The Children's Aid Society of London & Middlesex (the "Organization") provides child welfare services mandated by the Child, Youth and Family Services Act. Services include child protection, investigations, ongoing protection and support services to families in the community as well as child and youth in care services (including foster, group and adoption placements).

The Organization is exempt from income taxes under section 149(1)(d) of the Canadian Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared by management of the Organization in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of "fund accounting". Under these principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

The operating fund accounts for the Organization's operating activities.

The capital fund accounts for the Organization's real estate activities and capital equipment. The balance in this fund represents the net investment in capital assets.

The restricted funds account for grants, endowments, trusts and other charitable activities which are distinct from the operating activities of the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

The Organization is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services. Recharges, recoveries and other grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Federal child benefits, restricted contributions and fundraising are recognized as revenue when received.

Interest income is recognized as it is earned.

Cash

Cash includes cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

Restricted cash

Restricted cash consists of externally restricted funding by the Ministry of Children, Community and Social Services (the "Ministry") for directives such as the Registered Education Savings Plan (RESPs) and Ontario Child Benefit equivalent (OCBe) programs.

Children's Aid Society of London & Middlesex
Notes to the Financial Statements
For the year ended March 31, 2021

2. Summary of significant accounting policies (continued from previous page)

Property, buildings and equipment

Purchased capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of the contribution. Amortization is provided using the straight-line method over the estimated useful lives of the assets, at the following annual rates using the half-year rule during the year of acquisition.

Buildings	4%
Computer equipment	20-33.33%
Furniture and equipment	10%
Leasehold improvements	5%

Contributed services

The work of the Organization is partly dependent on the voluntary services of members of the community. Donated services are not recognized in these financial statements due to the difficulty in determining their fair value.

Financial instruments

i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable and receivables from the Ministry.

Financial liabilities measured at amortized cost include bank indebtedness, accrued vacation pay, accrued payroll and other accounts payable and accrued liabilities.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the Statement of Operations and Changes in Fund Balances. The write-down reflects the difference between the carrying amount and the higher of:

- a) the present value of the cash flows expected to be generated by the asset or group of assets; b) the amount that could be realized by selling the assets or group of assets;
- c) the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirms that a reversal is necessary, the reversal is recognized in the Statement of Operations and Changes in Fund Balances up to the amount of the previously recognized impairment.

Future benefits – non-vesting sick leave benefits and bridge benefits

On retirement, the Organization provides for the payout of a portion of accrued sick pay for management and other eligible employees. The Organization provides for the payout of a bridge benefit for eligible non-management employees. Defined benefit plan retirement costs are calculated using the projected benefit method pro-rated on services and actuarial assumptions which reflect management's best estimate of the effects of future events. Market related values are used in the valuation of retirement fund assets.

Children's Aid Society of London & Middlesex
Notes to the Financial Statements
For the year ended March 31, 2021

2. Summary of significant accounting policies (continued from previous page)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates are used with accounting for such items as the useful life of property, buildings and equipment and providing for the accrued benefit obligation. Actual amounts may differ from estimates.

3. Contracts with Ministry of Children, Community and Social Services

The Organization has service contracts with the Ministry of Children, Community and Social Services. One requirement of the contracts is the production by management of a Transfer Payment Annual Reconciliation (TPAR) which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract.

The Fund Balance shows the surplus (deficit) position under these contracts as at March 31, 2021. The surplus (deficit) in a TPAR report will generally differ due to specific instructions for TPAR preparation.

In 2014, the Ministry of Children, Community and Social Services announced the creation of a "Balanced Budget Fund" to support Children's Aid Societies in meeting the balanced budget requirements outlined in Regulation 70. The Balanced Budget Fund is specific to each Agency and reflects the accumulated surplus that was returned to the Ministry each year. Contributions to the Balanced Budget Fund expire after three years. To be eligible to access these funds, the Agency must meet two conditions:

- 1) The Agency must have generated a prior year surplus recovered in or after 2013-14; and
- 2) The Agency must require additional funding in a future year for child welfare operations to not incur a deficit. The required amount cannot exceed the total accumulated balanced budget fund and withdrawals from the fund must be approved by the Ministry.

4. Restricted cash

	2021	2020
RESP funds in trust	\$ 938,157	\$ 790,260
OCBe funds in trust- savings program	459,088	447,527
	<u>\$ 1,397,245</u>	<u>\$ 1,237,787</u>

Pursuant to Ministry Policy Directive CW005-16, the Organization sets aside a portion of Children's Special Allowance Funds, equivalent to the former federal UCCB payment, to establish Registered Education Savings Plans (RESPs) for eligible children in care.

Restricted cash related to RESPs held in trust represent such funding not yet contributed to an RESP. At March 31, 2021, \$938,157 (\$790,259 in 2020) of funds are held in trust as the recipients of these funds are not eligible to set up an RESP account.

OCBe savings program

Similarly, a portion of the OCBe relating to children aged 15-17 is being held as savings per a 2008 Ministry of Children and Youth Services directive. The Ministry updated the directive in 2018.

OCBe activities program

Not all OCBe funds are required to be held in trust for the children and can be spent on children in the Organization's care as long as they are younger than 18 years of age. In the current year, \$160,210 (\$28,489 in 2020) of OCBe funds have not been spent on eligible children and are recorded in accounts payable.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

5. Property, buildings and equipment

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,030,000	\$ -	\$ 1,030,000	\$ 1,030,000
Buildings	10,083,008	8,074,222	2,008,786	1,859,785
Computer equipment	1,448,647	449,771	998,876	284,268
Furniture and equipment	2,603,993	2,508,317	95,676	123,622
Leasehold improvement	159,815	99,891	59,924	67,915
	\$ 15,325,463	\$ 11,132,201	\$ 4,193,262	\$ 3,365,590

Included in property, buildings and equipment is a parcel of land donated to the Organization by the Province of Ontario for consideration in the amount of \$1. The land is recorded at the appraised value of \$1,030,000 at the time of the donation. In the event of its future sale by the Organization, all proceeds of disposition realized at that time must be returned to the Province of Ontario.

In addition, a portion of the costs of construction of the Organization's building on the land were contributed by the Province of Ontario, the City of London and the County of Middlesex. In the event of a future sale of the building by the Organization, the proceeds of disposition are to be returned to the Province of Ontario, the City of London and the County of Middlesex in proportion to their contributions.

Included in capital assets are additions of \$1,229,518 (\$198,958 in 2020).

6. Bank indebtedness

The Organization has bank indebtedness of \$nil (\$603,510 in 2020). In the current year, the Organization has available to it a revolving demand loan facility of \$3,000,000 (\$3,000,000 in 2020). The secured facility bears interest of prime less 0.25%.

The facility is secured by a General Security Agreement ("GSA") representing a First charge on the Borrower's present and after acquired personal property and assigned (or evidence) of Fire Insurance.

The Organization is required to comply with certain non-financial covenants. As at March 31, 2021, the Organization was in compliance with these covenants.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

7. Deferred revenue

Deferred revenue represents funds received for specific purposes. The balances and transactions are summarized as follows:

	Balance, beginning of year	Funds received	Transfer to operations	Balance, end of year
Operating fund				
Autism program	\$ 20,000	\$ -	\$ (20,000)	\$ -
Restricted funds				
Cooking Towards Independence	5,049	4,000	(3,000)	6,049
OACAS Zone	7,310	7,000	(6,649)	7,661
Healthy Relationships	37,647	120,609	(158,256)	-
LOME	33,723	-	(33,723)	-
Interest	105,022	9,421	(4,715)	109,728
Foster Transition	-	14,850	(14,850)	-
Tutoring	7,669	25,000	(17,183)	15,486
	196,420	180,880	(238,376)	138,924
Total deferred revenue	\$ 216,420	\$ 180,880	\$ (258,376)	\$ 138,924

8. Pension plan and other employee future benefits

OMERS pension plan

The Organization makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") pension fund, which is a multi-employer plan, on behalf of 369 (2020 – 375) of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to OMERS for fiscal 2021 was \$2,448,952 (\$2,497,469 in 2020) for current service costs and is included as an expense in the statement of operations.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Organization does not recognize any share of the OMERS pension surplus or deficit.

The last available report for the OMERS plan was December 31, 2020. At that time the plan reported a \$3.20 billion actuarial deficit (2019 - \$3.40 billion actuarial deficit), based on actuarial liabilities of \$111.82 billion (2019 - \$106.44 billion) and actuarial assets of \$105.40 billion (2019 - \$109.22 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements.

Sick leave and bridge benefits

The eligibility and coverage are:

- All full-time bargaining unit employees and all management members (excluding Senior Management members) who has 25 or more years of service, has reached the age of 55 and retirement with an OMERS pension will receive a \$600 gross bridge retirement benefit per year until age 65.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

8. Pension plan and other employee future benefits (continued from previous page)

- All full-time bargaining unit employees and all management members are eligible for a credit of 2 sick days for each month of service. The unused portion of an employee's sick leave will accrue up to a maximum of 120 days.
- All full-time bargaining unit employees hired prior to June 27, 2000 and all management members, that have 10 or more years of continuous service, and cease to be employed because of pensionable retirement to OMERS due to age, disability or death, will be paid an amount equal to 50% of their accumulated sick leave at their current salary or wage rate not to exceed 50% of the employee's annual salary or wage.

The Organization measures the accrued benefit obligation for accounting purposes as at March 31 of each year.

	2021	2020
Non-vesting sick leave benefits		
Opening balance	\$ 1,025,747	\$ 1,105,725
Current period benefit cost	98,433	93,746
Interest on accrued benefits	51,696	44,229
Benefit payments	(180,529)	(217,953)
Ending balance	\$ 995,347	\$ 1,025,747
Comprised of:		
Accrued benefit obligation at year end	\$ 1,457,026	\$ 1,025,747
Unamortized actuarial loss	(461,679)	-
	\$ 995,347	\$ 1,025,747
Bridge benefit		
Opening balance	\$ -	\$ -
Current period benefit cost	214,107	-
Interest on accrued benefits	-	-
Benefit payments	-	-
Ending balance	\$ 214,107	\$ -
Total accrued benefit obligation	\$ 1,209,454	\$ 1,025,747

The significant assumptions used to determine the accrued benefit obligation are as follows:

	2021	2020
Discount rate	2.90%	5.00%
Estimated retirement age	60 years	60 years
	2021	2020
Benefit expense	\$ 364,236	\$ 137,975

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

9. Restrictions on use of fund balances

Restricted funds

Various restrictions apply to the externally restricted and endowment fund balances. For certain bequests, the previous year's interest and 10% of the previous year's principal may be expended annually on a service or project for families and children "not in care" for a period of three years. For bequests for special needs of family and children, the previous year's interest and 10% of the previous year's principal may be applied for the purpose of meeting special needs of families and children being served by the Organization for a period of three years.

Funds held in trust

At March 31, 2021 there were 591 children (590 in 2020) with RESP accounts, with \$93,560 (\$187,403 in 2020) of funding contributed to these RESP accounts in the current year. These funds are held in trust in the children's' names and are not included in the Organization's assets.

10. Operating fund deficit

Government funding does not provide for vacation pay or accrued benefits that have been incurred but not paid. However, funding is provided for these obligations as payments are made.

The accumulated operating fund deficit is comprised of:

	2021	2020
Accrued vacation and compensation time	\$ 2,986,204	\$ 2,652,166
Accrued benefit obligation	1,209,454	1,025,747
Accrued health spending	155,284	252,992
Accumulated operating deficit (surplus)	391,013	(2,067,169)
	<u>\$ 4,741,955</u>	<u>\$ 1,863,736</u>

11. Commitments

The Organization leases certain premises and office equipment under operating leases. Future lease payments are for an aggregate amount of \$245,985 and include the following amounts payable over the next five years.

2021/22	\$117,430
2022/23	\$105,666
2023/24	\$7,019
2024/25	\$8,565
2025/26	\$7,305

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

12. Government funding

	2021	2020
Operating fund		
Child Welfare Program - Province of Ontario	\$ 55,426,067	\$ 58,115,155

The Organization is dependent on the Province of Ontario for its future funding requirements. Government funding consists of the following:

	2021	2020
Capital funding	\$ 105,800	\$ -
A760 funding (<i>Note 13</i>)		
Volume-based allocation	22,936,729	23,061,133
Socio-economic allocation	20,001,814	19,965,016
Pre-formula adjustment	10,343,732	10,343,732
Mitigation component	2,071,500	3,113,557
Policy priority		
Targeted subsidies	512,170	487,486
Administrative Efficiency Constraint	(561,108)	(489,344)
One time Administrative Efficiency rebate (50%)	-	244,672
OHIP+ Grant	-	53,094
Education Liaison	115,194	76,928
Consistency of Care	554,482	-
COVID-19 Mental Health	50,000	-
Pandemic Pay	19,870	-
Children's Residential Relief Fund - COVID-19	202,777	-
One time structural debt assistance	630,999	-
Balanced budget funding withdrawal: structural debt	964,246	1,556,800
In-year surplus	(2,522,138)	(297,919)
	\$ 55,426,067	\$ 58,115,155

13. Interfund transfers

The board of directors approved a transfer of \$5,718,929 from the operating fund to the capital fund to finance the acquisition of tangible capital assets and operations within the capital fund.

The board of directors approved a transfer of \$19,051 from the operating fund to the restricted fund to finance the deficiency of revenues over expenses and changes in working capital within the restricted funds.

14. Ministry services contracts

During the year, funds are provided by the Province of Ontario under the terms of the various service contracts and the amounts expended by the Organization during the year. As these funds do not directly relate to the operations of the Organization, the funds received and distributed are excluded from the statement of revenues and expenses, with the exception of the A710 contract. The revenue related to capital funding was recognized in the statement of revenues and expenses since the item was set up as a capital asset. For all contracts, if all funds were not spent by year-end, the funds are payable back to the Province of Ontario and are presented in accounts payable. The funds received and distributed for the programs are disclosed in Schedule 2.

Children's Aid Society of London & Middlesex
Notes to the Financial Statements
For the year ended March 31, 2021

15. Net change in non-cash working balances related to operations

	2021	2020
Decrease in accounts receivable and receivables from the Ministry	\$ 1,404,168	\$ 839,739
(Increase) decrease in statutory government remittances receivable	(47,308)	40,235
Increase in prepaid expenses	(387,559)	(45,918)
Increase in accrued vacation pay	330,898	37,111
Increase in accrued payroll	125,452	249,055
Increase (decrease) in due to Ministry of Children and Youth Services	325,780	(3,201)
Decrease in other accounts payable and accrued liabilities	(435,897)	(803,079)
Decrease in statutory government remittances payable	(21,209)	(307,832)
(Decrease) increase in deferred revenue	(77,496)	76,895
Increase in RESP funds in trust	147,898	106,278
Increase in OCBF funds in trust - savings program	11,561	28,485
	\$ 1,376,288	\$ 217,768

16. Financial instruments

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant risks arising from these financial instruments.

There have been no changes in risk assessment from the prior year's financial statements.

Interest rate risk

Interest rate risk refers to the consequences of interest rate changes on the bank indebtedness. The demand loan secured facility bears interest at prime less 0.25%. This floating rate instrument subjects the Organization to a cash flow risk.

Credit risk

The Organization collects balances from the Province of Ontario in the normal course of its operations and due to the nature of the receivables, the Organization does not need to maintain a provision for losses.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities. Accounts payable and accrued liabilities are generally repaid within 30 days. As for the revolving demand credit facility, the bank can demand repayment and/or cancel the availability of the facility at any time in its sole discretion.

17. Contingent liabilities

The Organization has accrued for \$31,000 (\$19,729 in 2020) in other accounts payable and accrued liabilities on the statement of financial position for the deductible portion of outstanding claims for which the Organization is fully insured.

The Organization 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 Organization. The Organization maintains an adequate level of insurance coverage.

Children's Aid Society of London & Middlesex

Notes to the Financial Statements

For the year ended March 31, 2021

18. Comparative figures

The financial statements have been reclassified, where applicable, to confirm to the presentation used in the current year. The changes do not affect prior year earnings.

19. Significant events

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. Child welfare services are deemed essential, therefore the Organization continued to provide service throughout the pandemic. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Children's Aid Society of London & Middlesex
Schedule 1 - Statement of Net Expenses - Operating Fund

For the year ended March 31, 2021

	2021	2020
Expenses		
Salaries	\$ 25,390,917	\$ 25,742,976
Boarding rate payments	14,341,903	16,421,299
Employee benefits	6,512,426	6,798,253
Client's personal needs	3,488,667	3,563,768
Professional services - client	723,926	727,148
Building occupancy	695,275	717,940
Technology	590,020	498,763
Medical and related services	566,684	732,890
Travel	431,990	1,237,786
Miscellaneous	400,887	430,816
Insurance	394,541	309,815
Transition costs - severance	324,888	716,162
Office administration	218,606	332,583
Financial assistance	174,823	188,842
Professional services - non-client	151,890	154,411
Training, education and conferences	56,959	112,799
Program expenses	43,031	50,578
Promotion and publicity	9,178	23,259
	\$ 54,516,611	\$ 58,760,088

The accompanying notes are an integral part of these financial statements

Children's Aid Society of London & Middlesex
Schedule 2- Statement of Financial Activity - 8847 Adult Community Living
Transitional Aged Youth Program

For the year ended March 31, 2021

	2021	2020
Revenue	\$ 1,627,462	\$ 1,355,935
Expenses		
Per diems and miscellaneous	1,627,462	1,355,935
	\$ -	\$ -

The accompanying notes are an integral part of these financial statements