Financial Statements of

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Windsor-Essex Children's Aid Society

Opinion

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

- the statement of financial position as at March 31, 2024
- the statement of revenue and expenditures for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the 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, 2024, 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 responsibility under those standards are further described in the **"*Auditor's Responsibilities for the Audit of the Financial Statements*"** section of our auditor's 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 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.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Society has a working capital deficiency and an unrestricted deficiency in net assets as a result of current and prior years' deficiencies of revenues over expenses.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibility 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.

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 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 risk 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, internal 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 purposes 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 the events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society's 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.
- 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

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 19, 2024

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	Operating Fund	Capital Fund	Other Child Welfare	2024 Total	2023 Total
Assets					
Current assets:					
Cash	$ -	$ 11,930	$ 1,526,611	$ 1,538,541	$ 1,682,740
Accounts receivable	460,258	-	-	460,258	286,753
Amounts receivable from funding provider (note 5)	701,169	-	-	701,169	765,845
Prepaid expenses	186,897	-	-	186,897	495,584
	1,348,324	11,930	1,526,611	2,886,865	3,230,922
Capital assets (note 6)	-	23,105,976	-	23,105,976	22,930,765
Less: accumulated amortization	-	14,194,993	-	14,194,993	13,479,864
	-	8,910,983	-	8,910,983	9,450,901
	$ 1,348,324	$ 8,922,913	$ 1,526,611	$ 11,797,848	$ 12,681,823

	Operating Fund	Capital Fund	Other Child Welfare	2024 Total	2023 Total

Liabilities, Deferred Contributions and Net Assets

	Operating Fund	Capital Fund	Other Child Welfare	2024 Total	2023 Total
Current liabilities:					
Bank indebtedness (note 7)	$ 3,749,837	$ -	$ -	$ 3,749,837	$ 893,507
Accounts payable and accrued liabilities (note 8)	3,252,010	47,941	-	3,299,951	3,788,415
Amounts payable to funding provider (note 5)	395,303	-	117,433	512,736	93,554
Ontario child benefit equivalent	-	-	709,703	709,703	931,583
Universal child care benefit for RESP's	-	-	816,908	816,908	739,740
Current portion of mortgage payable (note 11)	-	3,117,533	-	3,117,533	846,831
	7,397,150	3,165,474	1,644,044	12,206,668	7,293,630
Long-term liabilities:					
Mortgage payable (note 11)	-	615,258	-	615,258	3,065,557
Deferred contributions:					
Operating expenditures of future periods (note 9)	61,992	-	-	61,992	111,052
Capital assets (note 10)	-	4,032,853	-	4,032,853	4,220,700
	61,992	4,032,853	-	4,094,845	4,331,752
Employee future benefits (note 12)	44,123,466	-	-	44,123,466	43,018,633
Net assets:					
Invested in capital assets	-	1,109,328	-	1,109,328	1,329,230
Internally restricted	(50,234,284)	-	(117,433)	(50,351,717)	(46,356,979)
	(50,234,284)	1,109,328	(117,433)	(49,242,389)	(45,027,749)
Going concern (note 2)					
Commitments (note 17)					
Contingencies (note 18)					
	$ 1,348,324	$ 8,922,913	$ 1,526,611	$ 11,797,848	$ 12,681,823

See accompanying notes to financial statements.

On behalf of the Board:

________________ Director

________________ Director

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Revenue and Expenditures

Year ended March 31, 2024, with comparative information for 2023

	Operating Fund	Capital Fund	Other Child Welfare	2024 Total	2023 Total
Revenue:					
Province of Ontario	$ 56,529,751	$ -	$ 668,926	$ 57,198,677	$ 56,919,069
Interest and other	80,752	513	-	81,265	84,305
Amortization of deferred capital contributions (note 10)	-	235,847	-	235,847	235,847
Grants (note 14)	375,928	-	-	375,928	131,769
	56,986,431	236,360	668,926	57,891,717	57,370,990
Expenditures:					
Salaries and wages	29,332,808	-	-	29,332,808	28,344,915
Employee benefits	8,775,596	-	-	8,775,596	8,044,000
Travel	1,337,691	-	-	1,337,691	1,391,689
Employee future benefits (note 12)	1,797,680	-	-	1,797,680	3,287,649
Training and recruitment	154,437	-	-	154,437	121,109
Building occupancy	968,685	-	-	968,685	1,010,402
Purchased services - non-client	315,789	-	-	315,789	373,909
Boarding rate payments	13,232,812	-	609,590	13,842,402	11,983,987
Purchased services - client	870,473	-	-	870,473	1,152,843
Clients' personal needs	3,464,330	-	98,470	3,562,800	3,580,996
Health and related	462,034	-	1,856	463,890	492,237
Promotion and publicity	13,136	-	-	13,136	39,110
Office administration	491,300	-	-	491,300	407,964
Technology costs	665,836	-	-	665,836	576,317
Miscellaneous	865,532	-	-	865,532	737,529
Amortization of capital assets	-	715,129	-	715,129	823,901
Interest	-	215,177	-	215,177	146,281
	62,748,139	930,306	709,916	64,388,361	62,514,838
Less expenditure recoveries (note 13)	1,030,380	-	-	1,030,380	697,654
Less non-retainable revenue (note 13)	1,209,879	-	41,745	1,251,624	1,381,971
	60,507,880	930,306	668,171	62,106,357	60,435,213
Surplus (deficiency) of revenue over expenditures	$ (3,521,449)	$ (693,946)	$ 755	$ (4,214,640)	$ (3,064,223)

See accompanying notes to financial statements.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Operating Fund	Capital Fund	Other Child Welfare	2024 Total	2023 Total
Balance, beginning of year	$ (46,410,354)	$ 1,329,230	$ 53,375	$ (45,027,749)	$ (41,963,526)
Surplus (deficiency) of revenue over expenditures	(3,521,449)	(693,946)	755	(4,214,640)	(3,064,223)
Interfund transfers	(302,481)	474,044	(171,563)	-	-
Balance, end of year	$ (50,234,284)	$ 1,109,328	$ (117,433)	$ (49,242,389)	$ (45,027,749)

See accompanying notes to financial statements.

WINDSOR-ESSEX CHILDREN'S AID SOCIETY

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

		2024		2023
Cash provided by (used in):				
Operating activities:				
Deficiency of revenue over expenditures	$	(4,214,640)	$	(3,064,223)
Add items not resulting in an outlay of cash:				
Amortization of capital assets		715,129		823,901
Amortization of deferred capital contributions		(235,847)		(235,847)
Amortization of deferred operating contributions		(241,757)		(220,810)
Increase in employee future benefits		1,104,833		2,660,833
Net change in non-cash balances related to operating activities		(14,136)		(628,028)
		(2,886,418)		(664,174)
Financing activities:				
Increase in deferred contributions - operating expenditures		192,697		167,893
Increase in deferred capital contributions		48,000		-
Repayment of mortgage payable		(179,597)		(268,651)
		61,100		(100,758)
Investing activities:				
Purchase of capital assets		(175,211)		(47,958)
Decrease in cash		(3,000,529)		(812,890)
Cash, beginning of year		789,233		1,602,123
Cash (bank indebtedness), end of year	$	(2,211,296)	$	789,233
Cash (bank indebtedness) consists of:				
Cash		1,538,541		1,682,740
Bank indebtedness (note 7)		(3,749,837)		(893,507)
		(2,211,296)		789,233

The Windsor-Essex Children's Aid Society (the "Society") is incorporated without share capital under the laws of the Province of Ontario. The Society is dedicated to the well-being and safety of every child by advocating for, and partnering with, children, families and communities. The Society is a registered charity under the Income Tax Act and accordingly is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Society have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. In accordance with the practice common to similar organizations, the Society follows the fund basis of accounting to recognize in its accounts the responsibility to employ funds only for the purposes for which such funds were raised or contributed.

The Operating Fund reflects the day-to-day child welfare operations of the Society. The Society operates under the regulations and financial policies of the Ministry of Children, Community and Social Services ("the Ministry") which provides operational funding on the basis of approved service plans.

The Capital Fund holds the capital assets of the Society.

The Other Child Welfare Fund (formally Non-Child Welfare) operates under the regulations and financial policies of the Ministry of Children, Community and Social Services, which provides operational funding for specific programming to enhance Community Programs. Current year fiscal funding was specific to the Transitional Aged Youth and Education Liaison Program.

Ontario Child Benefit Equivalent ("OCBE") Pooled Funding is a Provincial directive which was effective November 14, 2008. The pooled fund shall be used in two ways:

i) To provide opportunities for all children and youth in care and in formal customary care aged 0-17, and youth in a VYSA for whom the Society is in receipt of the CSA to participate in recreational, educational, cultural and social activities that are consistent with their plans of care.

ii) To establish a savings program for youth in care aged 15-17, and youth in a VYSA for whom the Society is in receipt of the CSA to assist with a successful transition to independent living. The savings program will provide all eligible youth with financial skills to help prepare them for independent living and savings will assist with the costs of their basic needs upon leaving care.

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Registered Education Savings Plans for children are to be established utilizing the Universal Child Care Benefit (UCCB) funding received by the Society, through the Federal Child Tax Benefit. The Registered Education Savings Policy Directive CW005-16 is effective July 1, 2016 and requires the Society to hold individual Registered Education Savings Plans for each eligible child.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Unexpended funds at the end of the year from the Province of Ontario reduce the amount recognized as contribution revenue and are reported as amounts repayable, unless approval has been received to use the excess funds for specific upcoming expenditures.

Investment income is recognized as revenue when earned in each of the appropriate funds.

Capital contributions received for the purpose of funding acquisitions of capital assets are deferred and amortized to income on a basis consistent with the amortization of the related capital asset.

(c) Capital assets:

Land, buildings, office equipment, vehicles and computer hardware/software are recorded at cost. Amortization is recognized in the financial statements using the straight-line method. Buildings are amortized over a 40 year period. Building and property enhancements are amortized over a 24 year period. Office equipment and vehicles are amortized over a 5 year period. Leasehold improvements are amortized over a 5-year period. Computer hardware/ software and computer equipment under capital lease are amortized over a 3 year period. No amortization is taken on assets in progress until they are placed in use.

(d) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefit will be given up; and
- A reasonable estimate of the amount can be made.

1. Significant accounting policies (continued):

(e) Employee future benefits:

The Society provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include drug, other medical supplementary hospital, dental, vision and travel. The actuarial determination of the accrued benefit obligations have been prepared using the projected benefit method pro-rated on service. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2023, and the next required valuation will be as of April 1, 2026.

Actuarial gains (losses) on the accrued benefit obligation arise from the differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains are amortized over the average remaining service life to retirement estimated to be 17.2 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record any future interest rate swaps at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. As the Society has no financial instruments recognized at fair value, the Society does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 revenue and expenditures.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in these statements.

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include the valuation of accounts receivable, capital assets and the liability for employee future benefits. Actual results could differ from those estimates.

2. Going concern:

These financial statements have been prepared on a going concern basis, which assumes that the Society will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations. There is significant doubt about the appropriateness of the use of the going concern assumption because the Society has a deficiency in net assets and a working capital deficiency at March 31, 2024.

The ability of the Society to continue as a going concern and realize its assets and discharge its liabilities in the normal course of operations is dependent upon the continued support of the Ministry of Children, Community and Social Services and on its ability to restore and maintain sustainable operations in the future. No assurance can be given that additional funding will be available in the future from the Ministry of Children, Community and Social Services or other sources or that, if available, it can be obtained on terms favourable to the Society.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets, the reported revenues and expenses, and the statement of financial position classifications used.

3. Change in accounting policies:

On April 1, 2023, the Society adopted Canadian public sector accounting standards PS 3400 – *Revenue*, PS 3160 – *Public Private Partnerships* and PSG 8 – *Purchased Intangibles*.

The adoption of these standards had no impact to the financial statements.

4. Economic dependence:

The Society receives approximately 99.8% (2023 – 99.2%) of its eligible funding from the MCCSS. The future of the Society is reliant on MCCSS providing sufficient ongoing funding to manage the requirements of current and future years.

5. Amounts receivable from/payable to funding provider:

As at March 31, 2024, the Society has recorded an amount receivable from the Ministry of $701,169 (2023 - $765,845) and an amount payable of $512,736 (2023 - $93,554).

6. Capital assets:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	$ 242,539	$ –	$ 242,539	$ 242,539
Buildings	17,504,717	9,020,476	8,484,241	8,890,378
Leasehold improvements	1,277,469	1,229,528	47,941	–
Office equipment	2,706,432	2,643,558	62,874	88,214
Computer hardware/ software	1,342,490	1,269,102	73,388	229,770
Vehicles	32,329	32,329	–	–
	$ 23,105,976	$ 14,194,993	$ 8,910,983	$ 9,450,901

7. Bank facility:

The Society has an available line of credit of $4,000,000. This indebtedness is unsecured, due on demand and bears interest at prime minus 0.5%. At March 31, 2024, $2,211,296 (2023 - $nil) is outstanding.

Bank indebtedness represents cheques issued in excess of the bank balance.

Interest expense includes interest on the line of credit of $11,829 (2023 - $nil).

On April 3, 2024, the Society's available line of credit was increased to $5,000,000.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $374,271 (2023 - $345,423), which include amounts for payroll related matters.

9. Deferred contributions:

Deferred contributions related to operating expenditures of future periods are as follows:

	2024	2023
Balance, beginning of year	$ 111,052	$ 163,969
Add: Funding received during the year	192,697	167,893
Less: Amount recognized as revenue in the year	(241,757)	(220,810)
Balance, end of year	$ 61,992	$ 111,052

10. Deferred capital contributions:

Deferred capital contributions related to capital assets consist of the following:

	2024	2023
Balance, beginning of year	$ 4,220,700	$ 4,456,547
Additions during the year	48,000	–
Amortized to revenue during the year	(235,847)	(235,847)
Balance, end of year	$ 4,032,853	$ 4,220,700

11. Mortgage payable:

		2024		2023
Term loan bearing interest at a fixed rate of 5.73% for a five-year period ending February 27, 2025, with monthly payment of principal and interest of $26,780	$	3,077,397	$	3,217,456
Term loan bearing interest at a fixed rate of 5.14% for a three-year period ending April 28, 2026, with monthly payment of principal and interest of $6,076		655,394		694,932
		3,732,791		3,912,388
Less: current portion		(3,117,533)		(846,831)
	$	615,258	$	3,065,557

Interest expense includes interest on the term loans of approximately $215,177 (2023 - $146,281).

Principal repayments on account of the mortgage payable are payable based upon the following schedule:

2025	$	3,117,533
2026		615,258
	$	3,732,791

12. Employee future benefits:

The Society's actuarially determined obligation of $31,686,725 as at March 31, 2024 based on the most recent actuarial valuation on March 31, 2023 is currently unfunded and requires contributions from the Society. As noted below, in the current year an amount of $1,797,680 (2023 - $3,287,649) is included in employee future benefits expense on the statement of revenue and expenditures relating to this obligation.

		2024		2023
Benefit obligation, beginning of year	$	29,354,700	$	39,122,895
Service cost		885,300		1,421,892
Interest cost		1,494,679		1,609,255
Actuarial loss (gain)		644,893		(12,172,526)
Benefits paid		(692,847)		(626,816)
Benefit obligation, end of year	$	31,686,725	$	29,354,700

12. Employee future benefits (continued):

Change in plan assets:

	2024	2023
Fair value of plan assets, beginning of year	$ –	$ –
Employer contributions	629,847	626,816
Benefits paid	(629,847)	(626,816)
Fair value of plan assets, end of year	$ –	$ –

	2024	2023
Funded status:		
Funded status, plan deficit, end of year	$ (31,686,725)	$ (29,354,700)
Unamortized net actuarial loss	(12,436,741)	(13,663,933)
Accrued benefit liability	$ (44,123,466)	$ (43,018,633)

The significant actuarial assumptions adopted in measuring the Society's accrued benefit obligations are as follows:

	2024	2023
Discount rate	5.0%	5.0%
Medical and dental trend rates		
Initial	7.0%	7.0%
Ultimate	4.0%	4.0%
Year of ultimate level	2040	2040

Components of net periodic benefit cost:	2024	2023
Service cost	$ 885,300	$ 1,421,892
Interest cost	1,494,679	1,609,255
Amortization of actuarial loss (gain)	(582,299)	256,502
Employee future benefit expense	$ 1,797,680	$ 3,287,649

13. Expenditure recoveries and non-retainable revenue:

	2024	2023
Special allowances	$ 1,163,876	$ 1,225,379
Other Society wards	87,748	156,592
Non-retainable revenue	1,251,624	1,381,971
Expenditure recoveries	1,030,380	697,654
	$ 2,282,004	$ 2,079,625

14. Grants:

The Society recognized grant revenue from the following sources:

	2024	2023
Dave Thomas Foundation	$ 64,794	$ 83,333
Ontario Ministry of Colleges & Universities	39,239	40,936
Ontario Trillium Foundation	–	7,500
United Way/Centraide Windsor-Essex County	70,000	–
The City of Windsor	201,895	–
	$ 375,928	$ 131,769

15. Pension plan:

The employees of the Society are members of the pension plan administered by the Ontario Municipal Employees' Retirement System ("OMERS") which is a multi-employer defined-benefit plan. Contributions during 2024 amounted to $2,877,589 (2023 - $2,797,914). The OMERS plan is currently in a funding deficit position.

16. Financial instruments:

(a) Interest rate risk:

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Society to cash flow interest rate risk. The Society is exposed to this risk through its interest-bearing debt.

In the prior years, the Society mitigated against interest rate cash flow risk with respect to its long-term debt using an interest rate swap agreement. There are no swap agreements outstanding at the end of March 31, 2024.

16. Financial instruments (continued):

(b) 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 accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There have been no significant changes to the credit risk exposure from 2023.

(c) Liquidity:

In managing capital, the Society focuses on having liquid resources available for operations. The Society's objective is to have sufficient resources to continue to fund operations, repay financing and to fund capital expenditures despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of the annual budget, with actual results being compared to budget on a regular basis. The Society's ability to access liquid resources is dependent upon the continued support of the Ministry of Children, Community and Social Services

(d) Financial and market risk:

Financial and market risks are the risks that changes in financial or market conditions impair the value of the Society's assets or that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Investments held by the Society create exposure to these risks.

17. Commitments:

The Society is committed to estimated minimum annual payments under operating lease agreements over the next five years and thereafter as follows:

	Annual payments
2025	$ 172,106
2026	57,369

18. Contingencies:

Due to the nature of its operations, the Society and/or its directors or employees are periodically subject to lawsuit(s) in which they are defendants. In the opinion of management, the ultimate resolution of any current lawsuit(s) would not have a material effect on the financial position or results of operations of the Society.

19. Ministry reporting:

The Society reports its financial results to the Ministry of Children, Community and Social Services on a basis that is other than Canadian Public Sector Accounting Standards as follows:

	2024	2023
Deficiency of revenue over expenditures per financial statements	$ (3,521,449)	$ (2,332,018)
Less: Adjustments for non-GAAP/Grant items	361,122	2,190,950
Expenditures over revenue as reported to the Ministry	$ (3,160,327)	$ (141,068)

20. Balanced Budget Fund and Future Access to Surplus:

In 2014, the Ministry of Children and Youth Services (now called The Ministry of Children, Community and Social Services) announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the newly announced balanced budget requirements that were outlined in the Ministry's Regulation 70. The Balanced Budget Fund process has been developed individually for each Children's Aid Society and will reflect the accumulated surplus that was returned to the Ministry each fiscal year. To be eligible to access these funds, the Society must meet two conditions:

1) The Society must have generated a prior year surplus recovered in or after 2013-2014; and

2) 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.

Starting in 2021, the Ministry established a ministry-managed Balanced Budget Fund account, with the goal to reduce accumulated deficits being managed by other societies and to support sector implementation of other ministry priorities.

50% of the operating surplus generated by each society not managing an accumulated deficit will be contributed to the ministry-managed Balanced Budget Fund. The remaining 50% will be contributed to the Society's own Balanced Budget Fund.

Prior years' un-accessed contributions to the Balanced Budget Fund that are expiring at the end of 2024 will be added to the ministry-managed Balanced Budget Fund.

The Society's accumulated Balanced Budget Fund as at March 31, 2024 is $nil (2023 - $927,265).

21. Custodial assets:

The Society, as the subscriber, holds Registered Education Savings Plans ("RESPs") on behalf of children, as the beneficiary, in the amount of $1,694,126 as of March 31, 2024 (2023 - $1,755,858). This amount represents the contributions of the Society and does not include additional government grants directed into the RESPs. These funds are not shown in the financial statements of the Society.

22. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.