

Children's Aid Society of the City of Sarnia and the County of Lambton

Financial Statements

March 31, 2022

Children's Aid Society of the City of Sarnia and the County of Lambton

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For the year ended March 31, 2022

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To the Board of Directors of Children's Aid Society of the City of Sarnia and the County of Lambton:

Opinion

We have audited the financial statements of Children's Aid Society of the City of Sarnia and the County of Lambton (the "Sarnia-Lambton CAS"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in fund balances and 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 Sarnia-Lambton CAS as at March 31, 2022, 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 Sarnia-Lambton CAS 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 Sarnia-Lambton CAS'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 Sarnia-Lambton CAS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sarnia-Lambton CAS'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 Sarnia-Lambton CAS'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 Sarnia-Lambton CAS'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 Sarnia-Lambton CAS 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

July 6, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants


Children's Aid Society of the City of Sarnia and the County of Lambton
 Statement of Financial Position
 As at March 31, 2022

	Child Welfare Fund \$	Capital Fund \$	Other Child Welfare Fund \$	Total 2022 \$	Total 2021 \$
Assets					
Current assets					
Cash					
Restricted (notes 3 and 7)	-	-	1,052,522	1,052,522	996,374
Accounts receivable (notes 4 and 8)	290,991	-	4,508	295,499	1,091,242
Prepaid expenses	134,489	-	-	134,489	161,022
	<u>425,480</u>	<u>-</u>	<u>1,057,030</u>	<u>1,482,510</u>	<u>2,248,638</u>
Capital assets (note 5)	-	788,668	-	788,668	894,712
	425,480	788,668	1,057,030	2,271,178	3,143,350
Liabilities and Fund Balances					
Current Liabilities					
Bank indebtedness (note 6)	875,775	-	-	875,775	104,979
Accounts payable and accrued liabilities	942,783	-	19,706	962,489	1,624,812
Education fund payable (notes 3 and 7)	-	-	731,977	731,977	649,654
Deferred revenue - OCBE (notes 3 and 7)	-	-	320,545	320,545	346,720
Deferred revenue - other (note 7)	1,883	-	61,036	62,919	113,958
	<u>1,820,441</u>	<u>-</u>	<u>1,133,264</u>	<u>2,953,705</u>	<u>2,840,123</u>
Deferred capital contributions (note 7)	-	628,985	-	628,985	674,946
	<u>1,820,441</u>	<u>628,985</u>	<u>1,133,264</u>	<u>3,582,690</u>	<u>3,515,069</u>
Fund balance (deficit)					
Child welfare fund	(1,394,961)	-	-	(1,394,961)	(510,743)
Capital fund	-	159,683	-	159,683	219,766
Other child welfare fund (note 16)	-	-	(76,234)	(76,234)	(80,742)
	<u>(1,394,961)</u>	<u>159,683</u>	<u>(76,234)</u>	<u>(1,311,512)</u>	<u>(371,719)</u>
Commitments and contingencies (note 9)					
	425,480	788,668	1,057,030	2,271,178	3,143,350

Approved on behalf of the Board



 Director Kim Godin, Board President



 Director Lynn Rosales, Vice President

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

Children's Aid Society of the City of Sarnia and the County of Lambton
Statement of Operations
For the year ended March 31, 2022

	Child Welfare Fund \$	Capital Fund \$	Other Child Welfare Fund \$	Total 2022 \$	Total 2021 \$
Revenues					
Ministry funding and government grants (notes 11 and 16)	14,592,907	-	177,054	14,769,961	15,288,508
Children's special allowance and other grants (note 16)	563,713	-	4,508	568,221	444,846
Expense recoveries (note 8)	331,158	-	-	331,158	157,985
Amortization of deferred capital contributions (note 7)	-	45,961	-	45,961	55,586
Interest and other	442	-	-	442	13,641
	<u>15,488,220</u>	<u>45,961</u>	<u>181,562</u>	<u>15,715,743</u>	<u>15,960,566</u>
Expenses					
Amortization of capital assets	-	126,186	-	126,186	118,520
Boarding (note 16)	2,082,857	-	4,508	2,087,365	1,840,787
Clients' personal needs (note 16)	722,395	-	87,793	810,188	1,201,542
Employee benefits (note 10)	2,513,444	-	-	2,513,444	2,246,005
Health and related services - direct	102,659	-	-	102,659	83,367
Loss on the sale of assets	-	-	-	-	11,705
Miscellaneous	196,933	-	-	196,933	212,628
Occupancy (note 8)	272,954	-	-	272,954	272,252
Office administration	149,735	-	-	149,735	251,893
Professional services - client (note 16)	470,751	-	89,261	560,012	663,326
Professional services - non-client	282,050	-	-	282,050	262,617
Promotion and publicity	7,433	-	-	7,433	9,175
Technology	91,743	-	-	91,743	129,602
Training and recruitment (note 16)	72,481	-	-	72,481	80,287
Travel	291,711	-	-	291,711	206,174
Wages	9,090,642	-	-	9,090,642	8,905,037
	<u>16,347,788</u>	<u>126,186</u>	<u>181,562</u>	<u>16,655,536</u>	<u>16,494,917</u>
Deficiency of revenues over expenses	(859,568)	(80,225)	-	(939,793)	(534,351)

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

Children's Aid Society of the City of Sarnia and the County of Lambton
Statement of Changes in Fund Balances
For the year ended March 31, 2022

	Child Welfare Fund \$	Capital Fund \$	Other Child Welfare Fund \$	Total 2022 \$	Total 2021 \$
Fund balance (deficit) - Beginning of year	(510,743)	219,766	(80,742)	(371,719)	162,632
Deficiency of revenue over expenditures	(859,568)	(80,225)	-	(939,793)	(534,351)
Interfund transfers (note 15)	(24,650)	20,142	4,508	-	-
Fund balance (deficit) - End of year	(1,394,961)	159,683	(76,234)	(1,311,512)	(371,719)

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

Children's Aid Society of the City of Sarnia and the County of Lambton
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures	(939,793)	(534,351)
Items not affecting cash		
Amortization of capital assets	126,186	118,520
Amortization of deferred capital contributions	(45,961)	(55,586)
Loss on sale of capital assets	-	11,705
	<u>(859,568)</u>	<u>(459,712)</u>
Changes in non-cash working capital balances		
Accounts receivable	795,743	(830,034)
Prepaid expenses	26,533	100,251
Accounts payable and accrued liabilities	(662,323)	792,313
Education fund payable	82,323	60,241
Deferred revenue - OCBE	(26,175)	25,186
Deferred revenue - other	(51,039)	61,036
	<u>(694,506)</u>	<u>(250,719)</u>
Financing activities		
Bank indebtedness	770,796	104,979
Capital activities		
Purchase of capital assets	(20,142)	(200,132)
Increase in deferred capital contributions	-	83,202
	<u>(20,142)</u>	<u>(116,930)</u>
Decrease in cash during the year	56,148	(262,670)
Cash - Beginning of year	<u>996,374</u>	<u>1,259,044</u>
Cash - End of year	<u>1,052,522</u>	<u>996,374</u>
Cash represented by:		
Restricted	<u>1,052,522</u>	<u>996,374</u>

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

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

1 Nature of the organization

The Children's Aid Society of the City of Sarnia and the County of Lambton ("Sarnia-Lambton CAS") is incorporated under the laws of the Province of Ontario as a corporation without share capital and is not subject to income taxes pursuant to exemptions according to not-for-profit organizations in income tax legislation.

Sarnia-Lambton CAS is responsible for the care and protection of children in the County of Lambton as set out under the provisions of the Child, Youth and Family Services Act, 2017.

2 Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB for Government NPOs).

Fund accounting

Sarnia-Lambton CAS maintains the following funds:

The Child Welfare Fund accounts for revenues and expenses related to program delivery and administrative activities under the Ministry of Children, Community and Social Services (MCCSS).

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Sarnia-Lambton CAS's capital assets.

Included in Other Child Welfare Fund are the following:

The Transitional Age Youth Fund accounts for revenues and expenses related to program delivery under this program.

The Ontario Child Benefit Equivalent (OCBE) Fund accounts for revenues and expenses related to program delivery under this program.

The Registered Education Savings Plan (RESP) Fund reports the assets and liabilities related to program delivery under The Registered Education Savings Policy Directive 001-08, effective April 15, 2008.

Interfund transfers are in the normal course of operations, and are used to account for transactions and balances in their respective funds.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

Financial instruments

i) Measurement of financial instruments

Sarnia-Lambton CAS initially measures its financial assets and financial liabilities at fair value, and subsequently at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and education fund payable.

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. 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 up to the amount of the previously recognized impairment.

Capital assets

Capital assets, including expenses which improve or prolong the useful lives of the assets, are recorded as assets in the year they are acquired. Amortization of capital assets is calculated on a straight-line basis as follows:

Building	20 years
Vehicle	5 years
Office equipment	3 years
Computer equipment	5 years

Amortization of capital assets is recorded in the Capital Asset Fund. One-half year's amortization is expensed in the year of acquisition.

Long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair market value.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

Revenue recognition

Sarnia-Lambton CAS follows the deferred method of accounting for contributions, which includes grants and government subsidies.

Operating revenues, including grants and subsidies, are recorded as revenue in the period to which they relate. Revenue earned by not received at the end of the accounting period is accrued. Where a portion of revenue relates to a future period, it is deferred and recognized in that future period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and, when expended, are amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset.

Contributed materials and services

Volunteers contribute a significant amount of time each year to assist Sarnia-Lambton CAS in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributed goods that would have otherwise been expenses of Sarnia-Lambton CAS are recorded at their fair value on the date of the contribution.

Restricted cash

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

Employee benefits

Costs related to the employer contributions to the Ontario Municipal Employees Retirement System (OMERS) pension plan, a multi-employer defined benefit plan, are recorded as an expense in the period the contribution was made by Sarnia Lambton CAS.

Related party transactions

Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. When the transactions are either in the normal course of business or not in the normal course of business but with commercial substance and where the exchange amount can be supported. All other related party transactions are recorded at the carrying amount.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

Use of estimates

The preparation of financial statements in accordance with PSAB for Government NPOs 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 current period. Significant estimates include useful life of capital assets and deferred capital contributions. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

3 Restricted cash

Restricted cash consists of balances of \$260,328 (2021 - \$290,168) held on behalf of certain individuals and to be deposited in a Registered Education Savings Plan (RESP) and \$471,649 (2021 - \$359,486) deposited in a RESP held in trust for qualified children under the care of Sarnia-Lambton CAS as mandated by the MCCSS.

Also included in restricted cash is an OCBE externally restricted balance of \$320,545 (2021 - \$346,720).

4 Accounts receivable

	2022	2021
	\$	\$
Trade receivable	60,447	240,428
Funding source receivable	177,187	758,251
Sales tax rebates receivable	57,865	92,563
	<u>295,499</u>	<u>1,091,242</u>

5 Capital assets

	2022		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Building	3,384,931	2,738,916	646,015
Vehicles	228,467	191,363	37,104
Office equipment	149,496	149,496	-
Computer equipment	258,555	153,006	105,549
	<u>4,021,449</u>	<u>3,232,781</u>	<u>788,668</u>
	2021		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Building	3,371,468	2,692,408	679,060
Vehicles	340,467	274,729	65,738
Office equipment	149,496	149,496	-
Computer equipment	251,877	101,963	149,914
	<u>4,113,308</u>	<u>3,218,596</u>	<u>894,712</u>

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

6 Bank indebtedness

Sarnia-Lambton CAS has an operating line of credit with a maximum limit of \$1,000,000 secured by a general security agreement. The balance drawn on the line of credit was \$262,874 at year-end (2021 - \$NIL).

7 Externally restricted contributions

Sarnia-Lambton CAS receives certain contributions which have external restrictions limiting their use:

Any amounts received by the MCCSS in respect of the Ontario Child Benefit must be spent on specific costs within that program. During the year, Sarnia-Lambton CAS received \$87,373 (2021 - \$85,307). At year-end, there is a deferred revenue balance of \$320,545 (2021 - \$346,720) of amounts to be spent and recognized in future years.

Sarnia-Lambton CAS received funding to be held in an RESP on behalf of qualified children. During the year, Sarnia-Lambton CAS received \$65,900 (2021 - \$72,840). At year-end, there is a restricted cash balance as described in note 3 along with an education fund payable of \$731,977 (2021 - \$649,564).

The movement of the deferred capital contributions balance during the year is as follows:

	2022	2021
	\$	\$
Balance - Beginning of year	674,946	647,330
Add: Funding received during the year	-	83,202
Less: Amortization of deferred capital contributions	(45,961) -	55,586
Balance - End of year	<u>628,985</u>	<u>674,946</u>

Certain funding is received from other local groups and agencies that is restricted for certain expenses. During the year \$NIL (2021 - \$89,261) was received from these other sources. At year-end, there is a deferred revenue balance of \$62,919 (2021 - \$113,958) of amounts to be spent and recognized in future years.

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

8 Related party transactions and balances

Sarnia-Lambton CAS has a management and economic relationship with Bluewater Children's Foundation (the Foundation). Sarnia-Lambton CAS and the Foundation are related through common management and governance. The objective of the Foundation is to raise funds to support the services/programs of Sarnia-Lambton CAS that are not covered by provincial funding.

During the year, Sarnia-Lambton CAS paid rent and common area maintenance charges in the amount of \$88,555 (2021 - \$89,159), which is included within occupancy expense, to the Foundation under the terms of a lease for premises in effect until January 15, 2024. Annual lease payments excluding common area maintenance charges are as follows:

During the year, Sarnia-Lambton CAS charged management and administration fees of \$10,000 (2021 - \$10,000) to the Foundation, which has been recorded within expense recoveries in the statement of operations.

Accounts receivable incurred in the normal course of business owing from the Foundation to Sarnia-Lambton CAS totalled \$394 at March 31, 2022 (2021 - \$93,431).

9 Commitments and Contingencies

Sarnia-Lambton CAS receives funding from the MCCSS. The amount of funding provided to Sarnia-Lambton CAS is subject to final review and approval by the MCCSS. Any future adjustments required as a result of this review will be accounted for at that time.

Sarnia-Lambton CAS 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 Sarnia-Lambton CAS. Sarnia-Lambton CAS maintains an adequate level of insurance coverage.

At year-end, there were three outstanding legal claims against Sarnia-Lambton CAS. In all cases, the likelihood of loss is not determinable by management, and there is uncertainty surrounding the amount of exposure as a result of these claims due to a difficulty in determining whether adequate insurance coverage was in place. There has been no accrual recorded in the financial statements for these legal claims. Furthermore, the future receipt of insurance settlements is dependent on the outcome of these legal claims and as a result the contingent assets related to the potential insurance settlements are not recorded in the financial statements.

Sarnia-Lambton CAS is entered into a lease with the Foundation expiring January 15, 2024. Future annual lease payments to the Foundation are as follows:

	\$
2023	70,232
2024	58,527

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

10 Employee benefits

Employees are eligible to be members of OMERS, which provides defined pension benefits to employees based on their length of services and rates of pay. Sarnia-Lambton CAS accounts for this plan in a similar manner to a defined contribution plan since insufficient information is available for the normally required disclosure elements in a defined benefit plan, such as plan deficit or surplus. During the year, Sarnia-Lambton CAS contributed \$873,389 (2021 - \$839,263).

The last available report for the OMERS plan was December 31, 2021. At that time the plan reported a \$3.10 billion actuarial deficit (2020 - \$3.20 billion actuarial deficit), based on actuarial liabilities of \$119.34 billion (2020 - \$111.82 billion) and actuarial assets of \$120.73 billion (2020 - \$105.40 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.

11 Economic dependence

Sarnia-Lambton CAS has an economic dependence on the Province of Ontario due to the significant amount of funding received. Substantially all of the revenue recognized during both the current and prior year was derived from this source.

12 Balanced Budget Fund

The Ministry of Children and Youth Services (now called The Ministry of Children, Community and Social Services) created the Balanced Budget Fund to support Children's Aid Societies (CAS) in meeting the balanced budget requirement set out in Regulation 70 and to proactively manage the risks associated with a multi-year budget planning process. The Balanced Budget Fund will be developed on an individual CAS basis, in an amount up to each CAS's accumulated excess of revenues over expenses (surplus) that has been returned to the MCCSS following the implementation of the new funding model in 2013-2014. In order to be eligible to access these funds in a future year, Sarnia-Lambton CAS must meet two conditions: (1) Sarnia-Lambton CAS must have generated a prior year surplus recovered in or after 2013-2014; and (2) in a subsequent year ended after March 31, 2014, Sarnia-Lambton CAS requires additional funding in an amount up to its total accumulated prior year surplus to balance its budget.

13 MCCSS disclosures

Child Welfare Fund reconciliation for MCCSS requirements

	2022	2021
	\$	\$
Deficit of revenue over expenses per statement of operations	(859,568)	(451,987)
Adjustments required for financial statements not required for MCCSS reporting	(446,201)	451,987
Deficit of revenue over expenses reported to MCCSS	(1,305,769)	-

Children's Aid Society of the City of Sarnia and the County of Lambton

Notes to Financial Statements

March 31, 2022

14 Financial instruments

Risks and concentrations

Sarnia-Lambton CAS is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of Sarnia-Lambton CAS's risk exposure as at March 31, 2022. Unless otherwise stated, there have been no significant changes from the previous year in exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting cash flow obligations as they come due. Sarnia-Lambton CAS is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and education fund payable. Sarnia-Lambton CAS mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Sarnia-Lambton CAS is exposed to this risk through its carrying amount of cash, accounts receivable and funding source receivable. Cash is held with a reputable financial institution which mitigates any potential credit risk, and the receivable balances are primarily due from MCCSS-funded entities. Sarnia-Lambton CAS measures its exposure to credit risk based on how long the amounts have been outstanding. No accounts receivable are in arrears.

Financial and market risk

Financial and market risks are the risks that changes in financial or market conditions impair the value of the Sarnia-Lambton CAS's assets or the at the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Sarnia-Lambton is not exposed to this risk.

15 Interfund transfers

The board of directors approved a transfer of \$20,142 (2021 - \$116,932) from the Child Welfare Fund to the Capital Fund to finance the acquisition of capital assets and operations within the capital fund.

The board of directors approved a transfer of \$4,508 (2021 - \$NIL) from the Child Welfare Fund to the Other Child Welfare Fund to finance the working capital within the Other Child Welfare Fund.

The board of directors approved a transfer of \$NIL (2021 - \$49,068) from the Other Child Welfare Fund to the Child Welfare Fund to finance the deficiency of revenue over expenses and changes in working capital within the Other Child Welfare Fund.

Children's Aid Society of the City of Sarnia and the County of Lambton
Notes to Financial Statements
March 31, 2022

16 Other child welfare fund balances

A summary of the statement of operations of the externally restricted Transitional Age Fund is as follows:

	2022	2021
	\$	\$
Revenues		
Children's special allowance and other grants	4,508	(3,241)
Expenses		
Boarding	4,508	4,484
Excess of revenue over expenses	<u>-</u>	<u>(7,725)</u>

The Transitional Age Fund is recognized by MCCSS as DSRS - Adults' Community Accommodation (West Region) within their internal reporting framework.

A summary of the statement of operations of the externally restricted OCBE Fund is as follows:

	2022	2021
	\$	\$
Revenues		
Ministry funding and government grants	87,793	32,987
Expenses		
Clients' personal needs	87,793	32,987
Excess of revenue over expenses	<u>-</u>	<u>-</u>

A summary of the statement of operations for the Education Liaison program is as follows:

	2022	2021
	\$	\$
Revenues		
Ministry funding and government grants	89,261	28,225
Expenses		
Professional services - client	89,261	28,225
Excess of revenue over expenses	<u>-</u>	<u>-</u>

The Education Liaison program is recognized by MCCSS as Provincial Initiatives (West Region) within their internal reporting framework.

Children's Aid Society of the City of Sarnia and the County of Lambton
Notes to Financial Statements
March 31, 2022

A summary of the statement of operations for the COVID-19 Mental Health and Addictions program is as follows:

	2022	2021
	\$	\$
Revenues		
Ministry funding and government grants	-	30,294
Expenses		
Training and recruitment	-	22,129
Clients' personal needs	-	8,165
	-	30,294
Excess of revenue over expenses	-	-

17 Significant events

Financial markets have been negatively impacted by the novel Coronavirus (COVID-19), which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on future financial results. As a result of the pandemic, management began working remotely and the organization and case workers performed more virtual visits with the children, youth and families. Management continues to assess the impact of COVID-19 and the governments' responses to it, including but not limited to: future government funding sources and impairment of capital assets. At the balance sheet date, management estimates no such adjustments are required.

Sarnia-Lambton CAS incurred an operating loss of \$939,793 during the fiscal year ending March 31, 2022, resulting in an accumulated deficit position of \$1,311,512 as at March 31, 2022. Management is actively working with the Ministry on funding solutions to assist in reducing future operating losses and improving the accumulated deficit position. Management has implemented cost cutting measures, cash flow forecasting and is working closely with its lender to ensure financing is available to fund operations if required. Management believes Sarnia-Lambton CAS will continue into the foreseeable future.