

NATIVE CHILD AND FAMILY SERVICES OF TORONTO
FINANCIAL STATEMENTS
MARCH 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Native Child and Family Services of Toronto

Opinion

We have audited the accompanying financial statements of Native Child and Family Services of Toronto (the "Organization"), which comprise the statement of financial position as at March 31, 2024 and the statement of operations, statement of unexpended funds, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO").

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 on 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 ASNPO, 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.



Independent Auditor's Report
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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.

Segal GCSE LLP

Chartered Professional Accountants
Licensed Public Accountants


Toronto, Ontario
June 14, 2024


NATIVE CHILD AND FAMILY SERVICES OF TORONTO

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024**

	2024	2023
ASSETS		
Current		
Cash	\$ 9,034,811	\$ 9,565,297
Accounts receivable, note 3	2,287,093	2,790,789
Prepaid expenses and other assets	<u>854,162</u>	<u>813,859</u>
	<u>12,176,066</u>	<u>13,169,945</u>
Long term		
Property and equipment, note 4	<u>36,177,419</u>	<u>35,163,063</u>
	<u>\$ 48,353,485</u>	<u>\$ 48,333,008</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities, notes 5 and 10	\$ 10,352,547	\$ 9,699,989
Current portion of bank debt, note 6	3,802,361	3,145,720
Deferred revenue	<u>4,294,581</u>	<u>5,373,277</u>
	18,449,489	18,218,986
Callable debt, note 6	<u>2,611,000</u>	<u>3,256,000</u>
	<u>21,060,489</u>	<u>21,474,986</u>
Long term		
Long term portion of bank debt, note 6	383,109	1,195,707
Deferred capital contributions, note 7	<u>25,075,537</u>	<u>23,254,207</u>
	<u>25,458,646</u>	<u>24,449,914</u>
	<u>46,519,135</u>	<u>45,924,900</u>
Commitments , note 9		
Contingencies , note 10		
NET ASSETS		
Unexpended surplus	<u>1,834,350</u>	<u>2,408,108</u>
	<u>\$ 48,353,485</u>	<u>\$ 48,333,008</u>

Approved on behalf of the Board:

 Director

 Director

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF UNEXPENDED FUNDS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Unexpended surplus, beginning of the year	\$ 2,408,108	\$ 2,408,108
Deficiency of revenue over expenses for the year	<u>(573,758)</u>	<u>-</u>
Unexpended surplus, end of year	<u><u>\$ 1,834,350</u></u>	<u><u>\$ 2,408,108</u></u>

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2024

	Invested in Property and Equipment	Operating Fund (Deficit)	Unexpended Funds	Net Assets
2024				
Balance, beginning of year	\$ 4,311,429	\$ (1,903,321)	\$ 2,408,108	\$ 2,408,108
Excess (deficiency) of revenue over expenses	(683,493)	109,735	(573,758)	(573,758)
Invested in property and equipment	<u>677,476</u>	<u>(677,476)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 4,305,412</u>	<u>\$ (2,471,062)</u>	<u>\$ 1,834,350</u>	<u>\$ 1,834,350</u>
2023				
Balance, beginning of year	\$ 4,125,819	\$ (1,717,711)	\$ 2,408,108	\$ 2,408,108
Excess of revenue over expenses	(654,696)	654,696	-	-
Invested in property and equipment	<u>840,306</u>	<u>(840,306)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 4,311,429</u>	<u>\$ (1,903,321)</u>	<u>\$ 2,408,108</u>	<u>\$ 2,408,108</u>

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2024**

	2024	2023
Revenue		
Contribution revenue, Schedule 1	\$ 55,263,514	\$ 55,096,647
Other income	4,598,620	2,505,192
Amortization of deferred capital contributions, note 7	<u>939,825</u>	<u>1,154,237</u>
	<u>60,801,959</u>	<u>58,756,076</u>
Expenses		
Salaries and benefits	32,901,338	33,114,555
Client personal needs	17,067,859	13,612,237
Programs	3,616,616	3,801,890
Rent and utilities, note 11	1,650,735	1,496,562
Office, administration and general, notes 6 and 11	1,540,720	1,942,152
Professional services	887,410	1,157,936
Travel	770,616	820,228
Insurance	729,884	555,920
Training	587,221	445,663
Amortization of property and equipment	<u>1,623,318</u>	<u>1,808,933</u>
	<u>61,375,717</u>	<u>58,756,076</u>
Deficiency of revenue over expenses for the year	<u>\$ (573,758)</u>	<u>\$ -</u>

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

SCHEDULE 1 - CONTRIBUTION REVENUE FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Ministry of Children, Community and Social Services, note 12	\$ 24,852,942	\$ 24,084,572
Indigenous Services Canada, note 12	9,672,567	10,703,627
City of Toronto, notes 8 and 12	9,143,486	7,922,189
Ministry of Health	2,493,205	2,640,436
Public Health Agency of Canada	2,109,435	2,378,692
Indigenous Healing and Wellness Strategy	1,889,499	2,028,892
Miziwe Biik Development Corporation	1,007,351	996,462
Children's Special Allowance	903,615	799,381
United Way of Greater Toronto	663,342	695,742
Aboriginal Labour Force Development Circle	604,765	512,420
Employment and Social Development Canada	579,475	444,706
Catholic Children's Aid Society of Toronto	362,255	663,637
Children's Aid Foundation	268,243	154,680
Toronto Central LHIN	165,121	179,544
Women and Gender Equality Canada	101,649	76,243
Ontario Trillium Foundation	100,122	348,510
East Metro Youth Services	99,922	124,200
Miziwe Biik Aboriginal Employment and Training	86,359	115,579
Toronto Aboriginal Support Services Council	78,022	77,096
Ministry of the Attorney General	57,955	55,072
Canada Council for Arts	24,184	87,451
Toronto Foundation	-	7,516
	<u>\$ 55,263,514</u>	<u>\$ 55,096,647</u>

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (573,758)	\$ -
Adjustment for:		
Amortization of property and equipment	1,623,318	1,808,933
Amortization of deferred capital contributions	<u>(939,825)</u>	<u>(1,154,237)</u>
	109,735	654,696
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	503,696	(138,010)
Increase in prepaid expenses and other assets	(40,303)	(110,592)
Increase in accounts payable and accrued liabilities	652,558	2,422,825
Decrease in deferred revenue	<u>(1,078,696)</u>	<u>(461,678)</u>
Cash flows provided from operating activities	<u>146,990</u>	<u>2,367,241</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(2,637,674)</u>	<u>(1,028,218)</u>
Cash flows from financing activities		
Deferred capital contributions	2,761,155	916,246
Callable debt repayment	(623,000)	(553,000)
Bank debt repayment	(2,597,719)	(175,334)
Proceeds on issuance of bank debt	<u>2,419,762</u>	<u>-</u>
Cash flows provided from financing activities	<u>1,960,198</u>	<u>187,912</u>
Net (decrease) increase in cash	(530,486)	1,526,935
Cash, beginning of year	<u>9,565,297</u>	<u>8,038,362</u>
Cash, end of year	<u>\$ 9,034,811</u>	<u>\$ 9,565,297</u>

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

1. DESCRIPTION OF THE ORGANIZATION

Native Child and Family Services of Toronto (the "Organization") is a not-for-profit corporation without share capital incorporated under the laws of the Province of Ontario. The Organization has Children's Aid Status and its charitable number is 131621765.

The Organization was founded to provide for a life of quality, well-being, caring and healing for children and families in the Toronto Indigenous community. It does this by creating a services model that is culture based, respecting the values of Indigenous people, the extended family, and the right to self-determination.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The more significant accounting policies are as follows:

Revenue recognition

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

Restricted contributions related to general operations are recognized as revenue of the Unexpended Fund in the year in which the related expenses are incurred. Contributions received for which related expenses have not been incurred are classified as deferred revenue.

Unrestricted contributions are recognized as revenue of the Unexpended Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations in an amount equal to amortization recorded on the property and equipment funded.

Some government assistance received by the Organization is to be used towards the acquisition of fixed assets. These amounts are deferred and amortized to income on the same basis as the related fixed assets are amortized.

Property and equipment and deferred capital contributions

Property and equipment are recorded at cost. Amortization is provided on a basis designed to amortize the property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	-	5% declining balance
Computer equipment	-	30% declining balance
Furniture and equipment	-	20% declining balance
Vehicles	-	30% declining balance

Grants received and receivable for the purpose of funding property and equipment acquisitions are recorded as deferred capital contributions in the year that the related property and equipment are acquired.

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Impairment of long-lived assets

The carrying value of long-lived assets subject to amortization including property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the assets will not continue to be used in the delivery of the Organization's charitable programs. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost, measured on an asset-by-asset basis. Any impairment losses are accounted for as expenses in the statement of operations.

Donated materials and services

Donations of materials and services, including volunteer services, not normally paid for by the Organization are not recorded in the accounts, as it would be difficult to determine their fair value.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant estimates made by management include: allowance for doubtful accounts, the amortization and impairment of property and equipment, the amortization and recognition of deferred capital contributions, valuation of accounts payable and accrued liabilities, recognition and valuation of deferred revenue and completeness and valuation of contingent liabilities.

Cash

Cash consists of bank deposits held with financial institutions. Bank overdraft, as it occurs, consists of cheques written on bank accounts in excess of available funds.

Employee future benefits

The Organization has a defined contribution plan to provide pension benefits. The plan is accounted for in accordance with section 3462, *Employee Future Benefits*. The Organization accrues its obligations under the plan as service is rendered to earn the pension benefits. Past and current service costs are included in the statement of operations in the year in which they are incurred.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash, which is measured at fair value. Changes in fair value are recognized in operations.

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024

3. ACCOUNTS RECEIVABLE

	2024	2023
Contributions receivable	\$ 1,370,518	\$ 2,120,292
Government remittances recoverable	<u>916,575</u>	<u>670,497</u>
	<u>\$ 2,287,093</u>	<u>\$ 2,790,789</u>

4. PROPERTY AND EQUIPMENT

2024

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,951,434	\$ -	\$ 1,951,434
Buildings	51,691,350	17,603,984	34,087,366
Computer equipment	1,738,005	1,689,382	48,623
Furniture and equipment	1,479,573	1,405,366	74,207
Vehicles	<u>308,740</u>	<u>292,951</u>	<u>15,789</u>
	<u>\$ 57,169,102</u>	<u>\$ 20,991,683</u>	<u>\$ 36,177,419</u>

2023

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,951,434	\$ -	\$ 1,951,434
Buildings	49,053,676	16,026,824	33,026,852
Computer equipment	1,738,005	1,668,543	69,462
Furniture and equipment	1,479,573	1,386,814	92,759
Vehicles	<u>308,740</u>	<u>286,184</u>	<u>22,556</u>
	<u>\$ 54,531,428</u>	<u>\$ 19,368,365</u>	<u>\$ 35,163,063</u>

Included in buildings are costs of \$2,944,704 (2023 - \$1,361,923) that are not subject to amortization as the assets are not in use.

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2024

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Accounts payable and accrued liabilities	\$ 10,164,621	\$ 9,521,821
Government remittances payable	<u>187,926</u>	<u>178,168</u>
	<u>\$ 10,352,547</u>	<u>\$ 9,699,989</u>

6. BANK DEBT

	2024	2023
Bankers' acceptance loan (a)	\$ 3,207,000	\$ 3,830,000
Fixed rate term loan (b)	2,393,657	2,505,994
Fixed rate term loan (c)	783,294	820,254
Fixed rate term loan (d)	<u>412,519</u>	<u>441,179</u>
	6,796,470	7,597,427
Less: Current portion	(3,802,361)	(3,145,720)
Less: Callable debt (a)	<u>(2,611,000)</u>	<u>(3,256,000)</u>
Long term portion	<u>\$ 383,109</u>	<u>\$ 1,195,707</u>

- (a) On April 30, 2009, the Organization entered into a swap agreement with RBC, which expires on October 31, 2027. Under the terms of the swap agreement \$8,971,000 of the original \$9,971,000 loan, floating rate bankers' acceptance loan ("BA loan") was swapped for a fixed rate loan. Effective February 29, 2024 the terms of the swap were converted from an interest rate of 3.58% plus an acceptance fee equal to RBC's Bank Acceptance Canadian Dollar Offered Rate ("CDOR") per annum, to an interest rate of 3.29% plus an acceptance fee equal to the Canadian Overnight Repo Rate Average ("CORRA") per annum. Under the terms of the agreement, total monthly payments will fluctuate from month to month and will be in the range of approximately \$56,000 to \$58,000.

Interest of \$104,333 (2023 - \$126,831) was paid during the year on the BA loan.

- (b) During the year, the Organization refinanced an existing term loan in the amount of \$2,419,762, repayable over a term of one year with blended monthly repayments of \$20,125 (original term in 2019 was \$2,950,000 over a term of five years with blended monthly repayments of \$17,950). The term loan bears interest at 5.70% per annum and is due December 20, 2024.

Interest expense during the year on this term loan was \$109,708 (2023 - \$103,951).

- (c) The RBC five year fixed rate term loan is repayable in blended monthly payments of \$5,733, bearing interest at 3.95% per annum. The term loan is due May 7, 2024, and was subsequently renewed for a one year term at RBC's prime rate minus 0.75%.

Interest expense during the year on this term loan was \$31,757 (2023 - \$33,189).

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

6. **BANK DEBT** (Continued...)

- (d) The RBC five year fixed rate term loan is repayable in blended monthly payments of \$3,276, bearing interest at 2.48% per annum. The term loan is due May 28, 2026.

Interest expense during the year on this line of credit was \$10,617 (2023 - \$11,319).

The Organization also has available an operating line of credit with RBC up to a maximum amount of \$1,500,000. The operating line of credit bears interest at RBC prime minus 0.1%, with interest payable monthly. The RBC prime rate at year end was 7.2% (2023 - 6.7%). No amount was drawn during the year (2023 - \$Nil).

Interest expense during the year on this line of credit was \$Nil (2023 - \$Nil).

All interest expense is initially recorded as office, administration and general expense. As allowed by certain funding agreements, some of this interest is allocated to various programs (see note 11).

In management's opinion, the lender will not exercise the early repayment clause of the callable debt portion of the debt described in (a) in the current period. Assuming early repayment of that debt is not demanded, future principal and acceptance fee payments for all the loans over the next five years are as follows:

2025	\$ 3,802,362
2026	648,148
2027	993,960
2028	664,000
2029	<u>688,000</u>
	<u>\$ 6,796,470</u>

The Organization has provided security to RBC for its indebtedness, including a general security interest over all property, a collateral mortgage of \$11,750,000 on the 30 College Street and 156 Galloway Street properties, a collateral mortgage of \$1,716,000 on a transitional home, a collateral mortgage of \$1,277,000 on a shelter, a collateral mortgage of \$998,000 on a transitional home, a collateral mortgage of \$1,000,000 on the 185 Carlton Street property and a title insurance policy in favour of RBC on the 30 College Street property.

The carrying values of the properties held as collateral for the indebtedness noted above are as follows:

30 College Street	\$6,685,005
156 Galloway Street	2,842,276
185 Carlton Street	2,446,714
Transitional Home #1	1,689,351
Shelter	344,264
Transitional Home #2	256,994

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

6. **BANK DEBT** (Continued...)

The operating line of credit with RBC is secured by a General Security Agreement with a first ranking security interest in all personal property of the Organization.

The Organization also has the option to issue Letters of Credit under the terms of the line of credit agreement. At year end, there were no Letters of Credit issued (2023 - no Letters of Credit issued).

7. **DEFERRED CAPITAL CONTRIBUTIONS**

	2024	2023
Opening balance	\$ 23,254,207	\$ 23,492,198
Current year funding grants	2,761,155	916,246
Amortization	<u>(939,825)</u>	<u>(1,154,237)</u>
	<u>\$ 25,075,537</u>	<u>\$ 23,254,207</u>

Included in the balance as at March 31, 2024 is \$1,951,434 (2023 - \$1,951,434) not subject to amortization as the capital contributions relate to the purchase of land which is not amortized.

Included in the balance as at March 31, 2024 is \$2,924,414 (2023 - \$1,342,647) not subject to amortization as the capital contributions relate to a property that is not yet in use.

8. **CITY OF TORONTO FUNDING**

The City of Toronto funding includes wage subsidy payments for the Provincial Wage Enhancement of \$86,331 (2023 - \$50,288). There were no amounts deferred from prior years or to future years.

The City of Toronto funding includes Canada-Wide Early Learning and Child Care (“CWELCC”) Affordability funding. For location 4184, \$7,257 was deferred from the previous year, \$269,417 was received in the current year, \$147,169 was used according to CWELCC guidelines, \$4,528 was charged for vacancy variable costs and recovery, and \$124,977 was deferred to future years. For location 12124, \$108,293 was deferred from the previous year, \$569,472 was received in the current year, \$127,808 was used according to CWELCC guidelines, \$13,022 was charged for vacancy variable costs and recovery, and \$536,935 was deferred to future years.

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

9. COMMITMENTS

The Organization leases its premises and equipment under operating leases that expire on various dates to June 2028. Future annual payments (excluding taxes, insurance and maintenance costs) under the leases over the next five years are as follows:

2025	\$ 246,881
2026	74,676
2027	32,142
2028	31,830
2029	<u>7,957</u>
Total	<u>\$ 393,486</u>

10. CONTINGENCIES

(a) Funding

Certain funders have provided capital funding for the purchase of buildings and have requirements that collateral mortgages be registered against the properties. These collateral mortgages have no effect on the operations of the Organization as long as the buildings are used for their intended purpose.

In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions for their programs. As at March 31, 2024, \$3,148,572 (2023 - \$1,911,506) has been accrued in accounts payable and accrued liabilities to reimburse certain funding agencies where a program surplus exists.

(b) Service Contract / Child, Youth and Family Services Act ("CYFSA") Approval with the Ministry of Children, Community and Social Services

The Organization has a Service Contract / CYFSA Approval with the Ministry of Children, Community and Social Services. A reconciliation report summarizes, by service, all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract/CYFSA Approval. A review of these reports shows these services to be in a surplus position of \$142,657 as at March 31, 2024 (2023 - surplus position of \$206,211), which is included in accounts payable and accrued liabilities.

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

10. CONTINGENCIES (Continued...)

(c) Legal Proceedings

The Organization has been named as a defendant in a third party claim by The Hospital for Sick Children with respect to the Organization's reliance on testing done by Motherisk Drug Testing Laboratory. As of the date of the audit report, the outcome of this matter is unknown and it is unknown whether the Organization will be required to pay any amount in regards to this claim.

The Organization has been served with a proposed class action in relation to the issuance of birth alerts. As of the date of the audit report, the outcome of this matter is unknown and it is unknown whether the Organization will be required to pay any amount in regards to this proposed class action.

11. ALLOCATION OF EXPENSES

The Organization receives funding from various government agencies based on specific program needs and budgets and allocates expenses to the various programs. In certain circumstances, the Organization provides allocations from current year general program funding to ensure programs do not generate a deficit. In addition, management makes estimates to allocate certain administrative expenses according to the activity to which they benefit. Office, administration and general expenses totaling \$3,020,738 (2023 - \$3,214,313) and occupancy expenses totaling \$302,033 (2023 - \$297,665) have been reallocated by management in the year.

12. ECONOMIC DEPENDENCE

The Organization is dependent on the Ministry of Children, Community and Social Services (the "Ministry"), Indigenous Services Canada, the City of Toronto and other sources to fund its operations. Funding for child and family well-being operations is provided each fiscal year based on an annual funding allocation for the year as determined by the funders using their respective funding formulas. The Organization seeks to obtain funding equal to its projected costs to meet its responsibility to provide a service model that is culture based and respects the values of Indigenous people, but has been unsuccessful in achieving this since the Ministry introduced its new funding formula in 2013.

13. CUSTODIAL ASSETS AND ONTARIO CHILD BENEFIT EQUIVALENT FUND ("OCBE")

An amount of \$1,611,027 (2023 - \$1,375,487) is held on deposit at a financial institution representing amounts held in Registered Education Savings Plans ("RESPs") for children in the care of the Organization. The amounts are funded by Children's Special Allowance received from the Federal government. The Organization administers these funds in trust for the children and does not include these funds in these financial statements.

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14. INCOME TAXES

The Organization is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes. Accordingly, no provision has been made in these financial statements for income taxes. To maintain its status as a charitable organization, the Organization must comply with certain requirements of the Income Tax Act.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and bank debt. All financial instruments noted except for cash are initially recognized at fair value and subsequently measured at amortized cost. Cash is carried at fair value. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow.

When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

The Organization is exposed to the following risks as a result of holding financial instruments:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to cash flow risk arising from its variable rate borrowings including its Bankers' Acceptance loan. The Organization has partially addressed this risk by negotiating a swap agreement with the RBC (note 6). The Organization did not designate the interest rate swap as a hedge and did not apply hedge accounting. The Organization is also exposed to fair value risk related to its fixed rate borrowings (note 6). The exposure to this risk fluctuates as borrowings change from year to year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk with respect to its accounts receivable balances. The Organization manages its credit risk by monitoring the outstanding balances and communicating frequently with funders to ascertain the collectibility. Allowance for doubtful accounts for the current year is \$Nil (2023 - \$Nil). There has been no change in credit risk from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to fair value. As 74% (2023 - 73%) of current assets consist of cash the Organization is not subject to significant liquidity risk. There has been no change in liquidity risk from the prior year.