NATIVE CHILD AND FAMILY SERVICES OF TORONTO

FINANCIAL STATEMENTS
MARCH 31, 2026

INDEX

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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, 2026 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, 2026, 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.

Emphasis of Matter - Going Concern

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw attention to Note 2 to the financial statements, which describes the uncertainties faced by the Organization, the significant judgments made by management in assessing the Organization's ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Organization's activities.

Our conclusion is based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Organization's ability to continue as a going concern. Our responsibilities and the responsibilities of management with respect to going concern are described in the relevant sections of this report.

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.

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 10, 2026

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026

	2026	2025
ASSETS		
Current		
Cash	$ 4,105,852	$ 4,765,771
Accounts receivable, note 3	1,668,936	1,634,355
Prepaid expenses and other assets	750,368	778,717
	6,525,156	7,178,843
Long term		
Property and equipment, note 4	32,881,291	34,611,166
	$ 39,406,447	$ 41,790,009
LIABILITIES		
Current		
Accounts payable and accrued liabilities, notes 5 and 9	$ 10,330,200	$ 10,605,355
Current portion of bank debt, note 6	2,341,044	3,094,556
Deferred revenue	1,673,458	2,819,829
	14,344,702	16,519,740
Callable debt, note 6	1,352,000	1,993,000
	15,696,702	18,512,740
Long term		
Long term portion of bank debt, note 6	952,617	352,961
Deferred capital contributions, note 7	22,855,089	24,038,451
	23,807,706	24,391,412
	39,504,408	42,904,152
Commitments, note 8		
Contingencies, note 9		
NET ASSETS		
Unexpended deficit	(97,961)	(1,114,143)
	$ 39,406,447	$ 41,790,009

Approved on behalf of the Board:

_____________________ Director

D. Mae Maracle _____________________ 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, 2026

	2026	2025
Unexpended (deficit) surplus, beginning of the year	$ (1,114,143)	$ 1,834,350
Excess (deficiency) of revenue over expenses for the year	1,016,182	(2,948,493)
Unexpended deficit, end of year	$ (97,961)	$ (1,114,143)

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, 2026

2026

	Invested in Property and Equipment	Operating Fund Deficit	Unexpended Funds	Net Assets
Balance, beginning of year	$ 5,132,198	$ (6,246,341)	$ (1,114,143)	$ (1,114,143)
Excess (deficiency) of revenue over expenses	(546,513)	1,562,695	1,016,182	1,016,182
Invested in property and equipment	794,856	(794,856)	-	-
Balance, end of year	$ 5,380,541	$ (5,478,502)	$ (97,961)	$ (97,961)

2025

	Invested in Property and Equipment	Operating Fund Deficit	Unexpended Funds	Net Assets
Balance, beginning of year	$ 4,305,412	$ (2,471,062)	$ 1,834,350	$ 1,834,350
Deficiency of revenue over expenses	(580,647)	(2,367,846)	(2,948,493)	(2,948,493)
Invested in property and equipment	1,407,433	(1,407,433)	-	-
Balance, end of year	$ 5,132,198	$ (6,246,341)	$ (1,114,143)	$ (1,114,143)

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2026

	2026	2025
Revenue		
Contribution revenue, Schedule 1	$ 60,926,352	$ 56,371,361
Other income	1,719,118	2,454,203
Amortization of deferred capital contributions, note 7	1,183,362	1,186,022
	63,828,832	60,011,586
Expenses		
Salaries and benefits	33,860,060	33,691,709
Client personal needs	19,078,560	19,007,198
Programs	2,784,732	2,842,879
Rent and utilities, note 10	1,614,725	1,693,850
Office, administration and general, notes 6 and 10	1,595,899	1,462,434
Professional services	709,189	691,939
Travel	593,525	702,346
Insurance	544,373	710,787
Training	301,712	390,268
Amortization of property and equipment	1,729,875	1,766,669
	62,812,650	62,960,079
Excess (deficiency) of revenue over expenses for the year	$ 1,016,182	$ (2,948,493)

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

SCHEDULE 1 - CONTRIBUTION REVENUE
FOR THE YEAR ENDED MARCH 31, 2026

	2026	2025
Ministry of Children, Community and Social Services, note 11	$ 29,195,774	$ 25,214,616
City of Toronto, note 11	10,039,943	9,699,174
Indigenous Services Canada, note 11	8,176,925	8,968,111
Ministry of Health	2,908,607	2,732,478
Indigenous Healing and Wellness Strategy	2,767,042	2,736,173
Public Health Agency of Canada	2,328,692	2,059,438
Miziwe Biik Development Corporation	1,649,552	1,157,942
Aboriginal Labour Force Development Circle	1,346,674	870,256
Children's Special Allowance	852,098	735,778
United Way of Greater Toronto	617,527	711,319
Children's Aid Foundation	390,388	387,182
Toronto Central LHIN	196,144	188,544
East Metro Youth Services	148,818	148,818
Miziwe Biik Aboriginal Employment and Training	101,709	78,524
Toronto Aboriginal Support Services Council	90,730	74,783
Ministry of the Attorney General	57,934	57,955
Employment and Social Development Canada	57,795	142,637
Ontario Trillium Foundation	-	230,835
Catholic Children's Aid Society of Toronto	-	176,798
	$ 60,926,352	$ 56,371,361

See accompanying notes to the financial statements

NATIVE CHILD AND FAMILY SERVICES OF TORONTO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2026

	2026	2025
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	$ 1,016,182	$ (2,948,493)
Adjustment for:		
Amortization of property and equipment	1,729,875	1,766,669
Amortization of deferred capital contributions	(1,183,362)	(1,186,022)
	1,562,695	(2,367,846)
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	(34,581)	652,738
Decrease in prepaid expenses and other assets	28,349	75,445
Increase (decrease) in accounts payable and accrued liabilities	(275,155)	252,808
Decrease in deferred revenue	(1,146,371)	(1,474,752)
Cash flows provided from (used in) operating activities	134,937	(2,861,607)
Cash flows from investing activities		
Purchase of property and equipment	-	(200,416)
Cash flows from financing activities		
Deferred capital contributions	-	148,936
Callable debt repayment	(641,000)	(618,000)
Bank debt repayment	(153,856)	(737,953)
Cash flows used in financing activities	(794,856)	(1,207,017)
Net decrease in cash	(659,919)	(4,269,040)
Cash, beginning of year	4,765,771	9,034,811
Cash, end of year	$ 4,105,852	$ 4,765,771

See accompanying notes to the financial statements

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 and going concern

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

The financial statements have been prepared on the going concern basis, which presumes that the Organization will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Organization has an accumulated deficit as at March 31, 2026 of $97,961 (2025 - $1,114,143). The deficit decreased from the prior year primarily due to emergency funding received from the Ministry of Children, Community and Social Services of $2,500,000. The accumulated deficit and the need for emergency funding are a result of sustained cost pressures in service delivery, infrastructure, and staffing compounded by high outside purchased resource costs and high-needs children requiring intensive and specialized services. Funding shortfalls are sector wide issues. There are ongoing correspondences with the Ministry of Children, Community and Social Services with respect to providing cash advances on an as-needed basis. Operating costs continue to rise at a rate that exceeds available funding.

The Organization's ability to continue as a going concern depends on securing adequate funding to meet its obligations. The Organization has implemented a plan that includes maximizing funding through grants and advocating with funders, managing cost drivers, right-sizing staffing levels, enhancing financial oversight and stewardship practices.

These financial statements do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Organization be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include donations and government grants which are recognized as contribution revenue and other income.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Cloud computing arrangements

The Organization applied the simplification approach to account for cloud computing arrangements. Expenditures in cloud computing arrangements are treated as a supply of services and are expensed as incurred. The simplification approach is applied consistently to all arrangements.

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.

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.

3. ACCOUNTS RECEIVABLE

	2026	2025
Contributions receivable	$ 1,014,649	$ 823,312
Government remittances recoverable	654,287	811,043
	$ 1,668,936	$ 1,634,355

4. PROPERTY AND EQUIPMENT

2026

	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,951,434	$ -	$ 1,951,434
Buildings	51,740,923	20,979,872	30,761,051
Computer equipment	1,738,005	1,714,180	23,825
Furniture and equipment	1,479,573	1,432,081	47,492
Vehicles	459,583	362,094	97,489
	$ 57,369,518	$ 24,488,227	$ 32,881,291

2025

	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,951,434	$ -	$ 1,951,434
Buildings	51,740,923	19,313,862	32,427,061
Computer equipment	1,738,005	1,703,969	34,036
Furniture and equipment	1,479,573	1,420,207	59,366
Vehicles	459,583	320,314	139,269
	$ 57,369,518	$ 22,758,352	$ 34,611,166

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Accounts payable and accrued liabilities	$ 10,139,231	$ 10,425,027
Government remittances payable	190,969	180,328
	$ 10,330,200	$ 10,605,355

6. BANK DEBT

	2026	2025
Bankers' acceptance loan (a)	$ 1,993,000	$ 2,611,000
Fixed rate term loan (b)	1,618,205	1,712,825
Fixed rate term loan (c)	681,488	733,580
Fixed rate term loan (d)	352,968	383,112
	4,645,661	5,440,517
Less: Current portion	(2,341,044)	(3,094,556)
Less: Callable debt (a)	(1,352,000)	(1,993,000)
Long term portion	$ 952,617	$ 352,961

(a) The original floating rate bankers' acceptance loan ("BA loan") was for $9,971,000 maturing March 29, 2029. On April 30, 2009, the Organization entered into a swap agreement with RBC. Under the terms of the swap agreement $8,971,000 of the original $9,971,000 was swapped for a fixed rate loan maturing October 31, 2027. As of February 29, 2024, the terms of the swap include a fixed 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 $55,000 to $58,000. This loan is due on demand and the non-current portion is presented as callable debt.

Interest of $59,666 (2025 - $84,703) was paid during the year on the BA loan.

(b) During the year, the Organization refinanced an existing RBC term loan in the amount of $1,651,280 repayable over a term of one year with blended monthly repayments of $13,318 (2025 - term loan of $1,735,828 repayable over a term of one year with blended monthly repayments of $13,763). The term loan bears interest at 3.66% per annum and is due January 31, 2027.

Interest expense during the year on this term loan was $69,087 (2025 - $119,354).

(c) During the year, the Organization renewed an existing RBC term loan in the amount of $724,898, repayable over a term of one year with monthly principal repayments of $4,341 (2025 - term loan of $776,990 repayable over a term of one year with monthly principal repayments of $4,341). The term loan bears interest at RBC's prime rate minus 0.75% per annum and is due May 7, 2026. The RBC prime rate at year end was 4.45% (2025 - 4.95%). The term loan was subsequently renewed for a one year term at the same interest rate.

Interest expense during the year on this term loan was $33,290 (2025 - $45,700).

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

(d) This RBC five year fixed rate term loan is repayable in blended monthly payments of $3,276, bearing interest at 2.48% per annum and is due May 28, 2026. The term loan was subsequently renewed for a one year term with blended monthly payments of $3,494 at a fixed rate of 3.67% per annum.

Interest expense during the year on this term loan was $9,160 (2025 - $9,897).

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. No amount was drawn during the year (2025 - $Nil).

Interest expense during the year on this line of credit was $Nil (2025 - $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 10).

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 three years are as follows:

2027	$ 2,341,044
2028	1,616,617
2029	688,000
	$ 4,645,661

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 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 (2025 - no Letters of Credit issued).

7. DEFERRED CAPITAL CONTRIBUTIONS

	2026	2025
Opening balance	$ 24,038,451	$ 25,075,537
Current year funding grants	-	148,936
Amortization	(1,183,362)	(1,186,022)
	$ 22,855,089	$ 24,038,451

Included in the balance as at March 31, 2026 is $1,951,434 (2025 - $1,951,434) not subject to amortization as these capital contributions relate to the purchase of land which is not amortized.

8. COMMITMENTS

The Organization leases its premises and equipment under operating leases that expire on various dates to July 2030. Future annual payments (excluding taxes, insurance and maintenance costs) under the leases over the next five years are as follows:

2027	$ 272,181
2028	280,502
2029	150,936
2030	68,986
2031	20,803
Total	$ 793,408

9. 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, 2026, $3,721,204 (2025 - $3,710,953) 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 Contact/CYFSA Approval. A review of these reports shows that certain services are in a surplus position of $329,504 as at March 31, 2026 (2025 - surplus position of $371,566), which is included in accounts payable and accrued liabilities.

(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.

A class action motion certified against the Province of Ontario and brought against 49 child protection agencies, including the Organization, was dismissed on April 24, 2025. The plaintiffs appealed the decision to the Ontario Court of Appeal. The appeal was heard during the week of April 13, 2026, and a decision is pending. 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.

10. 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 which they benefit from. Office, administration and general expenses totaling $3,120,931 (2025 - $2,697,486) and occupancy expenses totaling $595,669 (2025 - $627,084) have been allocated by management in the year to specific programs.

11. 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.

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

An amount of $2,631,639 (2025 - $2,423,504) 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.

13. 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and bank debt (including callable 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 (2025 - $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. There has been a decrease in liquidity risk from the prior year due to an operating surplus in the current year resulting in a lower accumulated deficit as at March 31, 2026, which was primarily due to emergency funding of $2,500,000 as described in Note 2.