

**The Children's Aid Society
of the City of Guelph and the
County of Wellington
Financial Statements
For the year ended March 31, 2016**

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of the City of Guelph and the
County of Wellington**
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

**To the Board of Directors of
The Children's Aid Society of the City of Guelph and the County of Wellington**

We have audited the accompanying financial statements of The Children's Aid Society of the City of Guelph and the County of Wellington, which comprise the statement of financial position of the MCYS Fund and Other Funds as at March 31, 2016 and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many not-for-profit organizations, The Children's Aid Society of the City of Guelph and the County of Wellington derives part of its revenues from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Children's Aid Society of the City of Guelph and the County of Wellington. We were unable to determine whether any adjustments might be necessary to other revenues, excess of revenues over expenses, current assets and fund balances.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of The Children's Aid Society of the City of Guelph and the County of Wellington as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

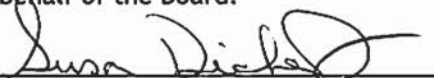
Guelph, Ontario

June 1, 2016

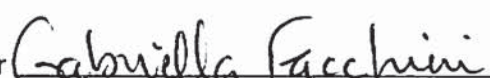
**The Children's Aid Society of the City of Guelph
and the County of Wellington
Statement of Financial Position**

	MCYS Fund	Other Funds	Total March 31 2016	Total March 31 2015
Assets				
Cash (Note 2)	\$ 616,054	\$ 939,924	\$ 1,555,978	\$ 1,496,768
Trust funds (Note 3)	524,024	145,893	669,917	462,288
Ministry receivable (Note 7)	522,564	-	522,564	-
Accounts receivable (Note 4)	171,812	12,396	184,208	176,348
Prepaid expenses	103,695	-	103,695	104,556
Due from Children First Fund	9,947	-	9,947	-
Due from Ontario Child Benefit Equivalent Fund	5,540	-	5,540	902
Due from MCYS Fund	-	129,620	129,620	160,448
Capital assets (Note 5)	-	4,293,003	4,293,003	4,502,077
	\$ 1,953,636	\$ 5,520,836	\$ 7,474,472	\$ 6,903,387
Liabilities and Fund Balances				
Bank loans (Note 6)	\$ -	\$ 4,347,958	\$ 4,347,958	\$ 4,549,175
Trust liability (Note 3)	524,024	145,893	669,917	462,288
Accounts payable and accrued liabilities	1,299,992	-	1,299,992	608,300
Ministry payable (Note 7)	-	-	-	15,621
Deferred revenue (Note 9)	-	3,437	3,437	135,938
Due to MCYS Fund	-	15,487	15,487	902
Due to Give Yourself Credit Fund	92,961	-	92,961	62,681
Due to Children First Fund	-	-	-	92,524
Due to Capital Fund	36,659	-	36,659	5,243
	1,953,636	4,512,775	6,466,411	5,932,672
Fund balances				
Restricted	-	663,061	663,061	625,715
Unrestricted	-	-	-	-
Capital reserve (Note 15)	-	295,000	295,000	295,000
Educational Support Endowment reserve (Note 16)	-	50,000	50,000	50,000
	-	1,008,061	1,008,061	970,715
	\$ 1,953,636	\$ 5,520,836	\$ 7,474,472	\$ 6,903,387

On behalf of the Board:



Director



Director

**The Children's Aid Society of the City of Guelph
and the County of Wellington
MCYS Fund - Statement Of Operations and Changes in
Fund Balances**

For the year ended March 31	2016	2015
Revenue		
MCYS Funding		
Child Welfare	\$ 20,098,580	\$ 19,596,845
Community Capacity Building	100,364	100,364
Repairs and Maintenance	24,100	15,026
Child Abuse Awareness	4,100	4,100
Non-recurring revenue (Note 12)	791,251	883,757
	<u>21,018,395</u>	<u>20,600,092</u>
Expenditures		
Salaries and wages	10,368,970	9,728,155
Boarding rate payments (Note 10)	3,512,121	3,856,784
Benefits (Note 8)	2,845,339	2,812,731
Building occupancy (Note 10)	895,744	974,991
Adoption subsidy	597,042	438,253
Travel	587,943	583,370
Technology	393,652	413,054
Admission prevention	281,842	232,495
Professional services - non-client	272,750	100,084
Client's personal needs	251,059	244,903
Health and related	244,459	206,740
Miscellaneous	155,356	149,952
Training and recruitment	144,301	88,872
Professional services - client	136,747	200,552
Office administration	114,591	141,618
Promotion and publicity	56,374	39,922
Program expenses	6,491	10,945
Financial assistance	-	11
Total expenses relating to regular operations	<u>20,864,781</u>	<u>20,223,432</u>
Other approved expenditures		
Community Capacity Building	180,390	128,500
Repairs and Maintenance	24,100	15,026
Child Abuse Awareness	4,100	4,100
Total expenditures	<u>21,073,371</u>	<u>20,371,058</u>
Excess (deficiency) of revenues over expenditures	(54,976)	229,034
Fund balance, beginning of year	-	-
Funds returned to MCYS (Note 19)	(25,050)	(193,783)
Interfund transfers (Note 17)	80,026	(35,251)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>

The Children's Aid Society of the City of Guelph and the County of Wellington Other Funds - Statement of Financial Position

	Restricted Funds						Total March 31 2015
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund	Total March 31 2016		
Assets							
Cash (Note 2)	\$ 635,824	\$ -	\$ -	\$ 304,100	\$ 939,924	\$ 987,423	
Trust funds (Note 3)	-	145,893	-	-	145,893	141,998	
Accounts receivable	-	6,638	2,460	3,298	12,396	6,782	
Due from MCYS Fund	36,659	-	92,961	-	129,620	160,448	
Capital assets (Note 5)	4,293,003	-	-	-	4,293,003	4,502,077	
	\$4,965,486	\$ 152,531	\$ 95,421	\$ 307,398	\$5,520,836	\$5,798,728	
Liabilities and Fund Balances							
Bank loans (Note 6)	\$4,347,958	\$ -	\$ -	\$ -	\$4,347,958	\$4,549,175	
Trust liability (Note 3)	-	145,893	-	-	145,893	141,998	
Deferred revenue (Note 9)	-	-	-	3,437	3,437	135,938	
Due to MCYS Fund	-	5,540	-	9,947	15,487	902	
	4,347,958	151,433	-	13,384	4,512,775	4,828,013	
Fund balances							
Internally restricted	322,528	1,098	95,421	244,014	663,061	625,715	
Capital reserve (Note 15)	295,000	-	-	-	295,000	295,000	
Educational Support Endowment reserve (Note 16)	-	-	-	50,000	50,000	50,000	
	617,528	1,098	95,421	294,014	1,008,061	970,715	
	\$4,965,486	\$ 152,531	\$ 95,421	\$ 307,398	\$5,520,836	\$5,798,728	

The Children's Aid Society of the City of Guelph and the County of Wellington Other Funds - Statement Of Operations and Changes in Fund Balances

For the year ended March 31

	Restricted Funds						Total 2015
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund	Total 2016		
Revenues							
MCYS - eligible funding	\$ -	\$ 88,819	\$ -	\$ -	\$ 88,819	\$ 99,956	
Grants	-	-	71,141	215,045	286,186	88,444	
Donations	-	-	44,551	148,460	193,011	394,909	
Other	395,719	2,861	1,306	42,913	442,799	473,250	
	395,719	91,680	116,998	406,418	1,010,815	1,056,559	
Expenditures							
Salaries and benefits	-	-	14,672	66,707	81,379	169,319	
Professional fees	-	-	-	-	-	3,712	
Rent	-	-	12,000	-	12,000	12,000	
Administration Program	-	-	-	1,938	1,938	2,148	
Amortization	209,075	93,457	58,739	279,487	431,683	306,534	
Interest on bank loan	157,366	-	-	-	209,075	212,556	
	366,441	93,457	85,411	348,132	893,441	869,722	
Excess (deficiency) of revenues over expenditures	29,278	(1,777)	31,587	58,286	117,374	186,837	
Fund balances, beginning of year	588,250	2,875	63,834	315,754	970,713	748,627	
Interfund transfer (Note 17)	-	-	-	(80,026)	(80,026)	35,251	
Fund balances, end of year	\$ 617,528	\$ 1,098	\$ 95,421	\$ 294,014	\$ 1,008,061	\$ 970,715	

**The Children's Aid Society of the City of Guelph
and the County of Wellington
Statement of Cash Flows**

For the year ended March 31	2016	2015
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures		
- MCYS Fund	\$ (54,976)	\$ 229,034
- Other Funds	117,374	186,837
Funding returned to MCYS	(25,050)	(193,783)
Amortization - Other Funds	209,075	212,556
	<u>246,423</u>	<u>434,644</u>
Changes in non-cash working capital balances		
Ministry receivable	(522,564)	337,807
Accounts receivable	(7,860)	(43,670)
Prepaid expenses	861	4,209
Accounts payable and accrued liabilities	691,689	(358,967)
Ministry payable	(15,621)	15,621
Trust liability	207,629	9
Deferred revenue	(132,501)	91,364
	<u>468,056</u>	<u>481,017</u>
Cash flows from investing activities		
Net repayments of bank loans	(201,217)	(195,132)
Proceeds on sale of short-term investments	-	50,247
Purchase of capital assets	-	(63,387)
	<u>(201,217)</u>	<u>(208,272)</u>
Change in cash position during the year	266,839	272,745
Cash position, beginning of year	1,959,056	1,686,311
Cash position, end of year	\$ 2,225,895	\$ 1,959,056
Represented by		
Cash - MCYS Fund	\$ 616,054	\$ 509,345
Cash - Other Funds	939,924	987,423
Trust funds - MCYS Fund	524,024	320,290
Trust funds - Other Funds	145,893	141,998
	<u>\$ 2,225,895</u>	<u>\$ 1,959,056</u>

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies

Nature of Organization The Children's Aid Society of the City of Guelph and the County of Wellington (the "Organization") is a not-for-profit organization whose mandate is to provide child protection and social services to the local community under the Child and Family Services Act. The Organization is incorporated without share capital by Letters Patent issued by the Province of Ontario. The Organization is a registered charity and as such is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

Capital Assets Capital assets are stated at acquisition cost less accumulated amortization. Cost is net of related investment tax credits, government grants and any restricted donations received by the Organization. Amortization is calculated based on the estimated useful life of the asset and is calculated as follows:

Building	5 % diminishing balance basis
Furniture and equipment	20 % diminishing balance basis
Network equipment	30 % diminishing balance basis

Leasehold improvements are amortized straight-line over the term of the premises lease and available renewal terms.

Full amortization is provided in the year assets are put into use and no amortization is taken in the year of disposal.

Fund Accounting The Organization follows the restricted fund method of accounting for contributions using the following funds.

The MCYS Fund records funding received from the Ministry of Children and Youth Services (MCYS) for program delivery. Child Welfare programming is the primary program delivered through this fund. The fund also reports restricted revenues from other sources that are required to be directly applied as an offset to the costs of Child Welfare programming. In addition to Child Welfare services, the fund also records funding received from MCYS for the delivery of non-child welfare programming including: child abuse prevention and awareness and community capacity building.

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

The Give Yourself Credit Fund records funding received from the community for the Give Yourself Credit alternative education program. The Organization has taken the lead agency role in this collaborative effort of local agencies to provide a community based alternative education program for At-Risk Youth, aged 16-18.

The Ontario Child Benefit Equivalent (OCBe) Fund records monies received from the MCYS for use in the OCBe Activities and Savings programs. The OCBe Activities program, developed by the MCYS, is designed to achieve: a) higher educational outcomes; b) higher degree of resiliency; c) smoother transition to adulthood; for Children in Care of the Organization. Funding for this program is not tied to a particular fiscal year and may be carried over as a surplus for use in future fiscal periods. The OCBe Savings Program assists youth in care aged 15 through 17 who have been in care for an extended period of time in recognition of their need to have funds available to support their transition to independent living. Monies received for this program must be maintained in trust and are presented as Trust funds and Trust liabilities in this Fund.

The Capital Fund records transactions relating to the Organization's capital properties including the original capital cost, associated financing, capital maintenance reserve, and other capital property costs.

The Children First Fund records restricted and unrestricted donations and grants received from the community towards the Organization's fundraising campaign. Funds are disbursed from this fund in accordance with the designation or restrictions imposed by the donors and in accordance with the Organization's disbursement policy. The Organization's fund development activities are centered around Educational Support for youth, Early Help & Prevention, Permanency, and Enrichment Activities.

Ministry Receivable

A Ministry receivable is recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Unrestricted contributions are recognized as revenue of the MCYS Fund in the year receivable if the amount can be reasonably estimated and collection is reasonably assured. Ministry revenues for the fiscal year are not finalized until the MCYS has reviewed and approved the MCYS Transfer Payment Annual Reconciliation's which does not occur until after the financial statements are issued. The amount of revenue recognized in these financial statements represents management's best estimate of amounts earned during the year.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions where expenses have not been incurred are recorded as deferred revenue.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All trust funds have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to the endowment fund are recorded directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Contributed Services

Volunteers assist the Organization 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.

The Children's Aid Society of the City of Guelph and the County of Wellington Notes to the Financial Statements

March 31, 2016

2. Cash

The Organization's bank accounts are held at one chartered bank.

The Organization has access to a non-revolving term facility with a maximum overdraft limit of \$1,600,000 to finance daily cash requirements of the Organization. The facility bears interest at the bank's prime rate. At March 31, 2016, \$NIL (2015 - \$NIL) of this facility has been accessed.

3. Trust Funds and Trust Liabilities

Where the Organization has been appointed legal guardian, the Organization administers a trust account for the children to accumulate their survivor benefits. The balance represents the net obligation to the children, payable upon request after their sixteenth birthday.

The RESP Trust Funds are Registered Education Savings Plans (RESPs) invested in the RBC Target Education Funds RESP, as directed by the MCYS. The agency is a subscriber to a number of RESPs, for qualified children in the care of the agency. This amount represents the contributions of the Organization and does not include additional government grants directed into the RESPs.

The OCBe Savings represents funds received from the MCYS for the purpose of assisting older youth who have been in care for extended periods to transition to independent living (known as the OCBe Savings program). Funds are maintained in trust for these youth in care and amounts are distributed to these youth when they reach the age of 18 or are discharged from care and meet the requirements of the savings program.

The Organization received in prior years a donation from a former youth-in-care that is to provide continuing education opportunities for current youth-in-care. Each year a youth is chosen to be a recipient of these continuing education funds, which are awarded at the Organization's general meeting. The remaining balance in the continuing education fund was paid out during the year.

	2016	2015
Client Trust Funds	\$ 186,839	\$ 97,627
RESP Trust Funds	337,185	222,663
	524,024	320,290
OCBE Savings	145,893	139,404
Continuing Education Funds	-	2,594
	\$ 669,917	\$ 462,288

**The Children's Aid Society of the City of Guelph
and the County of Wellington
Notes to the Financial Statements**

March 31, 2016

4. Accounts Receivable

	2016	2015
Due from organizations	\$ 28,318	\$ 36,271
Sales Tax rebate	143,494	133,295
	\$ 171,812	\$ 169,566

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,149,486	\$ -	\$ 1,149,486	\$ -
Building	3,472,970	786,473	3,472,970	645,079
Furniture and equipment	386,639	227,994	386,639	189,074
Network equipment	45,814	38,114	45,814	34,814
Leasehold improvements	509,212	218,537	509,212	193,077
	\$ 5,564,121	\$ 1,271,118	\$ 5,564,121	\$ 1,062,044
		\$ 4,293,003		\$ 4,502,077

6. Bank Loans

The Organization has access to the following loan:

	2016	2015
Royal Bank- non-revolving term facility - repayable in blended monthly payments of \$29,882, interest calculated at 3.52%. Payable in full January 30, 2017.	\$ 4,347,958	\$ 4,549,175

The above is secured by a general security agreement constituting a first ranking security interest in all personal property, and a collateral mortgage of \$6,655,000 constituting a first fixed charge on the lands and improvements located at 275 Eramosa Road, Guelph, Ontario with a net book value of \$3,835,983 (2015 - \$3,977,377).

The loan is scheduled to become due within the next year. Management plans to refinance the terms of the loan beyond one year.

**The Children's Aid Society of the City of Guelph
and the County of Wellington
Notes to the Financial Statements**

March 31, 2016

7. Ministry Receivable (Payable)

	2016	2015
Operating revenue receivable (payable)	\$ 367,714	\$ (42,221)
Targeted subsidies receivable	154,850	26,600
Ministry receivable (payable)	\$ 522,564	\$ (15,621)

The above amounts are due from (to) the Ministry of Children and Youth Services. Additional information regarding the operating revenue payable is in Note 19.

8. Employee Future Benefits

The Organization is a member of OMERS, a multi-employer defined benefit pension plan. The member organizations are unable to identify their share of the underlying assets and liabilities. As a result, the benefit plan has been accounted for following the recommendations for defined contribution plans. The pension expense for this plan for the year was \$1,008,269 (2015 - \$1,008,775) and is included in benefits expense in the MCYS - Fund Statement of Operations and Changes in Fund Balances.

9. Deferred Revenue

Deferred revenue represents externally restricted subsidies used in accordance with funding agreements. Changes in deferred revenue are as follows.

	2016	2015
Deferred contributions, beginning of year	\$ 135,938	\$ 44,574
Less: amount recognized in the year	(132,501)	(43,636)
Add: amounts received concerning future expenditures	-	135,000
	\$ 3,437	\$ 135,938

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

10. Related Party Transactions

During the year, the Organization rented various properties owned by Kindle Communities Organization, a not-for-profit organization incorporated without share capital, related by common significant influence. Kindle Communities Organization operates and maintains community centre facilities and programs within the City of Guelph and is exempt from income tax. Rent expense was recorded in the MCYS Fund at the exchange amount (the amount of consideration established and agreed to by the related parties). Total amounts paid to Kindle Communities Organization during the year were \$146,756 (2015 - \$153,471). Included in this amount is \$103,681 (2015 - \$96,516) recorded in building occupancy and \$43,075 (2015 - \$56,955) recorded in boarding rate payments.

11. Economic Dependence

The Organization receives 96.2% (2015 - 95.7%) of its eligible funding from the MCYS. The future of the Organization is reliant on MCYS providing sufficient ongoing funding to manage the requirements of current and future years.

12. Non-Recurring Revenue

	2016	2015
Family allowance	\$ 435,145	\$ 458,538
Sales tax recovered	269,792	223,845
Program cost recoveries	25,833	147,937
Interest	17,981	18,411
Other Society wards	22,280	17,532
Other	20,220	17,494
	\$ 791,251	\$ 883,757

13. Ministry of Education Funding

The Organization received \$553,100 (2015 - \$553,100) from the Ministry of Education for the Better Beginnings Better Futures program. The Organization acts as the agent for this funding and transfers all funds received for this program to Onward Willow - Better Beginnings, Better Futures Community Centre Inc. to operate this program in Guelph, Ontario.

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

14. Commitments

The Organization has entered into various operating leases for office space. These leases have expiry dates between September 2016 and September 2021.

The minimum annual lease payments for the next five years are as follows:

2017	\$	232,501
2018		128,820
2019		128,820
2020		119,780
2021		50,850
		<hr/>
	\$	660,771

The minimum annual lease payments include a commitment to lease office space at various facilities from Kindle Communities Organization until March 2017 and November 2019 for total rental cost during the five year period of \$103,681 and \$99,440 respectively.

15. Capital Reserve

The Organization established a Capital Reserve using funds generated from rental revenues in the capital fund prior to March 31, 2012. The reserve fund is to be used for capital development and maintenance requirements at the Organization's capital properties.

16. Educational Support Endowment Reserve

The Organization established an Educational Support Endowment using funds generated from fund development activities. The Organization will continue to fund the endowment as part of the fund development program expenditures. The income from the endowment will be used to provide educational support to youth in care and former youth in care pursuing post secondary educational opportunities.

17. Interfund Transfers

During the year, the Organization transferred \$80,026 (2015 - \$28,136) from the Children First Fund to the MCYS Fund to cover the shortfall in funds relating to the Community Capacity Building programs for the current year.

The Organization also transferred \$NIL (2015 - \$63,387) from the MCYS Fund to the Capital Fund to cover capital expenditures in the Capital Fund for the current year.

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

18. Financial Instruments

Fair value hierarchy

Financial instruments that are measured at fair value are classified into Levels 1 to 3 based on the inputs used to measure the fair values as described below:

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 value measurements are derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of quoted prices in an active market whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy that is significant to the input in measuring fair value.

All financial instruments measured at fair value by the Organization are classified as Level 1 in the fair value hierarchy.

Financial Instrument Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of cash. This risk is mitigated as the Organization has not accessed the credit facilities available at March 31, 2016. This risk has not changed from the previous period.

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. The Organization is exposed to credit risk arising from its accounts receivable and Ministry receivable. The majority of the Organization's receivables are from government entities which minimizes the risk of non-collection. The Ministry receivable is owing from MCYS and will be collected upon completion of the relevant eligibility criteria. There has been no historical difficulties associated with the collection of amounts owing from MCYS. The Organization measures impairment based on how long the amounts have been outstanding. Based on historical experience regarding collections, no provision for impairment was recorded at March 31, 2016. This risk has not changed from the previous period.

The Children's Aid Society of the City of Guelph and the County of Wellington

Notes to the Financial Statements

March 31, 2016

18. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and bank loans. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from MCYS and other sources and its available cash. The payment terms and estimated repayment amounts associated with the bank loans have been indicated in Note 6. Accounts payable and accrued liabilities are usually paid within 30 days. This risk has not changed from the previous period.

19. Surplus Repayable to MCYS

The Organization has a legal requirement to return any surplus Child Welfare funding, as calculated for MCYS reporting, to the MCYS. The MCYS, with implementation of the new funding model in 2013-14, created a "Balanced Budget Fund" to support Children's Aid Societies (CAS) in meeting the balanced budget requirement and proactively manage the risks associated with a multi-year budget planning process. The Balanced Budget Fund is administered by the MCYS on an individual CAS basis, in an amount up to each CAS's accumulated surplus (as calculated for MCYS reporting) that has been returned to the MCYS. The Organization may access its portion of the Balanced Budget Fund in order to balance the Organization's budget for Child Welfare operations within the next 3 years, subject to MCYS guidelines for use. During the year, the Organization generated a surplus of Child Welfare funding for MCYS reporting of \$25,050 (2015 - \$193,783) which will be recovered by the MCYS and added to the Organization's Balanced Budget Fund.