

**The Children's Aid Society
of the City of Guelph and the
County of Wellington
Financial Statements
For the year ended March 31, 2018**

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of the City of Guelph and the
County of Wellington
Financial Statements
For the year ended March 31, 2018**

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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, 2018 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 expenditures, cash flows from operations and current assets for the years ended March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years.

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, 2018 and 2017, 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

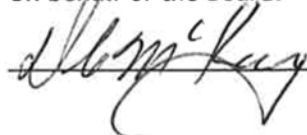
Guelph, Ontario

June 6, 2018


**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 2018 | Total March 31 2017 |
|----------------------------------------------------|---------------------|---------------------|---------------------------|---------------------------|
| Assets | | | | |
| Current | | | | |
| Cash (Note 2) | \$ 445,858 | \$ 821,485 | \$ 1,267,343 | \$ 1,006,062 |
| Short-term investments (Note 3) | - | 300,000 | 300,000 | 550,000 |
| Trust funds (Note 4) | 627,149 | 116,897 | 744,046 | 729,501 |
| Ministry receivable (Note 5) | 43,468 | - | 43,468 | 625,767 |
| Balanced budget fund receivable (Note 18) | 204,395 | - | 204,395 | - |
| Accounts receivable (Note 6) | 209,685 | 13,159 | 222,844 | 166,679 |
| Prepaid expenses | 111,831 | - | 111,831 | 109,579 |
| Due from Children First Fund | 97,769 | - | 97,769 | 87,190 |
| Due from Capital Fund | 92,702 | - | 92,702 | - |
| Due from MCYS Fund | - | 83,877 | 83,877 | 118,128 |
| Due from Ontario Child Benefit Equivalent Fund | 603 | - | 603 | - |
| | <u>1,833,460</u> | <u>1,335,418</u> | <u>3,168,878</u> | <u>3,392,906</u> |
| Capital assets (Note 7) | - | 3,993,074 | 3,993,074 | 4,098,116 |
| | <u>\$ 1,833,460</u> | <u>\$ 5,328,492</u> | <u>\$ 7,161,952</u> | <u>\$ 7,491,022</u> |
| Liabilities and Fund Balances | | | | |
| Current | | | | |
| Bank loans (Note 8) | \$ - | \$ 241,001 | \$ 241,001 | \$ 233,934 |
| Trust liability (Note 4) | 627,149 | 116,897 | 744,046 | 729,501 |
| Accounts payable and accrued liabilities | 1,122,434 | - | 1,122,434 | 808,102 |
| Balanced budget fund payable (Note 18) | - | - | - | 528,119 |
| Due to MCYS Fund | - | 191,074 | 191,074 | 87,190 |
| Due to Give Yourself Credit Fund | 83,877 | - | 83,877 | 108,483 |
| Due to Ontario Child Benefit Equivalent Fund | - | - | - | 1,027 |
| Due to Capital Fund | - | - | - | 8,618 |
| | <u>1,833,460</u> | <u>548,972</u> | <u>2,382,432</u> | <u>2,504,974</u> |
| Bank loans (Note 8) | - | 3,660,666 | 3,660,666 | 3,901,630 |
| | <u>1,833,460</u> | <u>4,209,638</u> | <u>6,043,098</u> | <u>6,406,604</u> |
| Fund balances | | | | |
| Restricted | - | 773,854 | 773,854 | 739,418 |
| Unrestricted | - | - | - | - |
| Capital reserve (Note 14) | - | 295,000 | 295,000 | 295,000 |
| Educational Support Endowment reserve (Note 15) | - | 50,000 | 50,000 | 50,000 |
| | <u>-</u> | <u>1,118,854</u> | <u>1,118,854</u> | <u>1,084,418</u> |
| | <u>\$ 1,833,460</u> | <u>\$ 5,328,492</u> | <u>\$ 7,161,952</u> | <u>\$ 7,491,022</u> |

On behalf of the Board:



Director



Director

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

**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 | 2018 | 2017 |
|----------------------------------------------------------|----------------------|---------------|
| Revenue | | |
| MCYS Funding | | |
| Child Welfare | \$ 20,573,171 | \$ 20,499,382 |
| Repairs and Maintenance | 270,000 | 33,700 |
| Community Capacity Building | 100,364 | 100,364 |
| Education Learning | 20,400 | - |
| Child Abuse Awareness | - | 1,708 |
| Non-recurring revenue (Note 9) | 981,006 | 834,459 |
| | 21,944,941 | 21,469,613 |
| Expenditures | | |
| Salaries and wages | 10,473,791 | 10,031,569 |
| Boarding rate payments (Note 10) | 3,941,706 | 3,685,605 |
| Benefits (Note 11) | 2,968,310 | 2,865,164 |
| Building occupancy (Note 10) | 1,003,702 | 916,118 |
| Adoption subsidy | 708,593 | 659,132 |
| Travel | 658,300 | 606,387 |
| Technology | 642,692 | 415,864 |
| Admission prevention | 293,407 | 356,569 |
| Client's personal needs | 187,157 | 277,114 |
| Health and related | 180,524 | 253,498 |
| Miscellaneous | 169,412 | 171,049 |
| Professional services - client | 156,912 | 130,376 |
| Office administration | 131,242 | 132,875 |
| Professional services - non-client | 113,338 | 144,254 |
| Training and recruitment | 86,074 | 100,914 |
| Promotion and publicity | 59,002 | 55,725 |
| Program expenses | 4,265 | 3,508 |
| Total expenses relating to regular operations | 21,778,427 | 20,805,721 |
| Other approved expenditures | | |
| Repairs and Maintenance | 270,000 | 33,700 |
| Community Capacity Building | 197,700 | 206,700 |
| Education Learning | 20,400 | - |
| Child Abuse Awareness | - | 1,708 |
| Total expenditures | 22,266,527 | 21,047,829 |
| Excess (deficiency) of revenues over expenditures | (321,586) | 421,784 |
| Fund balance, beginning of year | - | - |
| Funds received from (returned to) MCYS (Note 18) | 204,395 | (528,119) |
| Interfund transfers (Note 16) | 117,191 | 106,335 |
| Fund balance, end of year | \$ - | \$ - |

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

Other Funds - Statement of Financial Position

Restricted Funds

| | Capital Fund | Ontario Child Benefit Equivalent Fund | Give Yourself Credit Fund | Children First Fund | Total March 31 2018 | Total March 31 2017 |
|---------------------------------|--------------|---------------------------------------|---------------------------|---------------------|---------------------|---------------------|
| Assets | | | | | | |
| Current | | | | | | |
| Cash (Note 2) | \$ 409,787 | \$ - | \$ - | \$ 411,698 | \$ 821,485 | \$ 536,063 |
| Short-term investments (Note 3) | 300,000 | - | - | - | 300,000 | 550,000 |
| Trust funds (Note 4) | - | 116,897 | - | - | 116,897 | 131,323 |
| Accounts receivable | 4,893 | 3,980 | 1,855 | 2,431 | 13,159 | 4,866 |
| Due from MCYS Fund | - | - | 83,877 | - | 83,877 | 118,128 |
| | 414,680 | 120,877 | 85,732 | 414,129 | 1,335,418 | 1,340,380 |
| Capital assets (Note 7) | 3,993,074 | - | - | - | 3,993,074 | 4,098,116 |
| | \$ 4,707,754 | \$ 120,877 | \$ 85,732 | \$ 414,129 | \$ 5,328,492 | \$ 5,438,496 |

Liabilities and Fund Balances

| | | | | | | |
|-------------------------------------------------|--------------|------------|-----------|------------|--------------|--------------|
| Current | | | | | | |
| Bank loans (Note 8) | \$ 241,001 | \$ - | \$ - | \$ - | \$ 241,001 | \$ 233,934 |
| Trust liability (Note 4) | - | 116,897 | - | - | 116,897 | 131,324 |
| Deferred revenue | - | - | - | - | 528,119 | - |
| Due to MCYS Fund | 92,702 | 603 | - | 97,769 | 191,074 | 87,190 |
| | 333,703 | 117,500 | - | 97,769 | 1,077,091 | 452,448 |
| Bank loans (Note 8) | 3,660,666 | - | - | - | 3,660,666 | 3,901,630 |
| | 3,994,369 | 117,500 | - | 97,769 | 4,737,757 | 4,354,078 |
| Fund balances | | | | | | |
| Internally restricted | 418,385 | 3,377 | 85,732 | 266,360 | 773,854 | 739,418 |
| Capital reserve (Note 14) | 295,000 | - | - | - | 295,000 | 295,000 |
| Educational Support Endowment reserve (Note 15) | - | - | - | 50,000 | 50,000 | 50,000 |
| | 713,385 | 3,377 | 85,732 | 316,360 | 1,118,854 | 1,084,418 |
| | \$ 4,707,754 | \$ 120,877 | \$ 85,732 | \$ 414,129 | \$ 5,856,611 | \$ 5,438,496 |

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 2017 |
|---------------------------------------------|---------------------|------------------------------------------------|------------------------------------|---------------------------|------------------------|------------------------|---------------|
| | Capital Fund | Ontario Child Benefit Equivalent Fund | Give Yourself Credit Fund | Children First Fund | Total 2018 | | |
| Revenues | | | | | | | |
| MCYS - eligible funding | \$ - | \$ 84,197 | \$ - | \$ - | \$ 84,197 | \$ 80,025 | |
| Other | 377,058 | 1,630 | 805 | 9,452 | 388,945 | 414,160 | |
| Donations | - | - | 36,773 | 119,929 | 156,702 | 154,199 | |
| Grants | - | - | 49,458 | 60,000 | 109,458 | 101,228 | |
| | 377,058 | 85,827 | 87,036 | 189,381 | 739,302 | 749,612 | |
| Expenditures | | | | | | | |
| Program | - | 85,827 | 41,566 | 77,175 | 204,568 | 164,242 | |
| Amortization | 192,507 | - | - | - | 192,507 | 194,886 | |
| Interest on bank loan | 120,185 | - | - | - | 120,185 | 145,443 | |
| Salaries and benefits | - | - | 54,781 | - | 54,781 | 46,923 | |
| Rent | - | - | 14,490 | - | 14,490 | 12,860 | |
| Administration | - | - | - | 1,144 | 1,144 | 2,566 | |
| | 312,692 | 85,827 | 110,837 | 78,319 | 587,675 | 566,920 | |
| Excess of revenues over expenditures | | | | | | | |
| Fund balances, beginning of year | 64,366 | - | (23,801) | 111,062 | 151,627 | 182,692 | |
| Interfund transfer (Note 16) | 668,874 (19,855) | 3,377 - | 109,533 - | 302,634 (97,336) | 1,084,418 (117,191) | 1,008,061 (106,335) | |
| Fund balances, end of year | \$ 713,385 | \$ 3,377 | \$ 85,732 | \$ 316,360 | \$ 1,118,854 | \$ 1,084,418 | |

**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 | 2018 | 2017 |
|---------------------------------------------------|---------------------|--------------|
| Cash flows from operating activities | | |
| Excess (deficiency) of revenues over expenditures | | |
| - MCYS Fund | \$ (321,586) | \$ 421,784 |
| - Other Funds | 151,627 | 182,692 |
| Funds received from (returned to) MCYS | 204,395 | (528,119) |
| Amortization - Other Funds | 192,507 | 194,886 |
| | 226,943 | 271,243 |
| Changes in non-cash working capital balances | | |
| Ministry receivable | 582,299 | (78,153) |
| Balanced budget fund receivable | (204,395) | - |
| Balanced budget fund payable | (528,119) | 503,069 |
| Accounts receivable | (56,165) | 17,529 |
| Prepaid expenses | (2,252) | (5,884) |
| Accounts payable and accrued liabilities | 314,333 | (491,890) |
| Trust liability | 14,545 | 59,584 |
| Deferred revenue | - | (3,437) |
| | 347,189 | 272,061 |
| Cash flows from investing activities | | |
| Purchase of short-term investments | - | (550,000) |
| Proceeds on sale of short-term investments | 250,000 | - |
| Purchase of capital assets | (87,465) | - |
| | 162,535 | (550,000) |
| Cash flows from financing activities | | |
| Net repayments of bank loans | (233,898) | (212,393) |
| Change in cash position during the year | 275,826 | (490,332) |
| Cash position, beginning of year | 1,735,563 | 2,225,895 |
| Cash position, end of year | \$ 2,011,389 | \$ 1,735,563 |
| Represented by | | |
| Cash - MCYS Fund | \$ 445,858 | \$ 469,999 |
| Cash - Other Funds | 821,485 | 536,063 |
| Trust funds - MCYS Fund | 627,149 | 598,178 |
| Trust funds - Other Funds | 116,897 | 131,323 |
| | \$ 2,011,389 | \$ 1,735,563 |

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

Notes to the Financial Statements

March 31, 2018

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: repairs and maintenance, community capacity building and education learning.

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

Notes to the Financial Statements

March 31, 2018

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; and 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, 2018

1. Summary of Significant Accounting Policies (continued)

| | |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue Recognition | <p>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.</p> <p>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.</p> |
| Use of Estimates | <p>The preparation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and could have an impact on the resulting surplus or deficiency reported for the period. Estimates in these financial statements include revenue amounts earned during the year from the MCYS and depreciation of capital assets.</p> |
| Financial Instruments | <p>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.</p> |
| Contributed Services | <p>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.</p> |

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

Notes to the Financial Statements

March 31, 2018

2. Cash

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

The Organization has access to a revolving demand facility with a maximum overdraft limit of \$1,600,000 to finance daily cash requirements. The facility bears interest at the bank's prime rate. At March 31, 2018, \$NIL (2017 - \$NIL) of this facility has been accessed.

3. Short-Term Investments

Short-term investments are comprised of a guaranteed investment certificate which bears interest at a rate of 1.6% per annum and matures on October 23, 2018.

4. 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.

| | 2018 | 2017 |
|--------------------|-------------------|------------|
| Client Trust Funds | \$ 149,315 | \$ 186,672 |
| RESP Trust Funds | 477,834 | 411,506 |
| | 627,149 | 598,178 |
| OCBE Savings | 116,897 | 131,323 |
| | \$ 744,046 | \$ 729,501 |

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

March 31, 2018

5. Ministry Receivable

| | 2018 | 2017 |
|----------------------------------------|---------------------|------------|
| Operating revenue (payable) receivable | \$ (120,062) | \$ 478,952 |
| Targeted subsidies receivable | 163,530 | 146,815 |
| Ministry receivable | \$ 43,468 | \$ 625,767 |

The above amounts are due from the Ministry of Children and Youth Services.

6. Accounts Receivable

| | 2018 | 2017 |
|--------------------------------|-------------------|------------|
| Due from organizations - MCYS | \$ 48,036 | \$ 33,441 |
| Sales Tax rebate - MCYS | 161,649 | 128,372 |
| Sales Tax rebate - Other Funds | 209,685 | 161,813 |
| | 13,159 | 4,866 |
| | \$ 222,844 | \$ 166,679 |

7. Capital Assets

| | 2018 | | 2017 | |
|-------------------------|---------------------|-------------------------------------|--------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 1,149,486 | \$ - | \$ 1,149,486 | \$ - |
| Building | 3,472,970 | 1,048,407 | 3,472,970 | 920,798 |
| Furniture and equipment | 386,639 | 285,486 | 386,639 | 260,785 |
| Network equipment | 133,279 | 55,161 | 45,814 | 40,424 |
| Leasehold improvements | 509,212 | 269,458 | 509,212 | 243,998 |
| | \$ 5,651,586 | \$ 1,658,512 | \$ 5,564,121 | \$ 1,466,005 |
| | | \$ 3,993,074 | | \$ 4,098,116 |

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

March 31, 2018

8. Bank Loans

The Organization has access to the following loan:

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| Royal Bank- non-revolving term facility - repayable in blended monthly payments of \$29,500, interest calculated at 2.98%. Payable in full January 30, 2022. | \$ 3,901,667 | \$ 4,135,564 |
| Less: current portion | (241,001) | (233,934) |
| | \$ 3,660,666 | \$ 3,901,630 |

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 \$3,574,049 (2017 - \$3,701,658).

Principal repayments over the next four years are estimated as follows:

| | |
|------|---------------------|
| 2019 | \$ 241,001 |
| 2020 | 248,282 |
| 2021 | 255,783 |
| 2022 | 3,156,601 |
| | \$ 3,901,667 |

9. Non-Recurring Revenue

| | 2018 | 2017 |
|-------------------------|-------------------|------------|
| Family allowance | \$ 485,573 | \$ 460,019 |
| Sales tax recovered | 312,283 | 241,144 |
| Other Society wards | 82,040 | 58,120 |
| Program cost recoveries | 60,957 | 37,038 |
| Interest | 16,192 | 15,010 |
| Other | 23,961 | 23,128 |
| | \$ 981,006 | \$ 834,459 |

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

Notes to the Financial Statements

March 31, 2018

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 \$137,161 (2017 - \$137,524). Included in this amount is \$103,681 (2017 - \$103,681) recorded in building occupancy and \$33,480 (2017 - \$33,843) recorded in boarding rate payments.

11. 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. Since the organization is not the sponsoring government of the multi-employer defined benefit pension plan, the benefit plan has been accounted for in accordance with the defined contribution plan recommendations. The pension expense for this plan for the year was \$1,055,099 (2017 - \$971,387) and is included in benefits expense in the MCYS - Fund Statement of Operations and Changes in Fund Balances.

12. Economic Dependence

The Organization receives 95.5% (2017 - 96.1%) 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.

13. Commitments

The Organization has entered into various operating leases for office space. These leases have expiry dates between March 2019 and March 2022.

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

| | |
|------|-------------------|
| 2019 | 247,111 |
| 2020 | 227,701 |
| 2021 | 154,531 |
| 2022 | 103,681 |
| | <u>733,024</u> |
| | <u>\$ 733,024</u> |

The minimum annual lease payments include a commitment to lease office space at various facilities from Kindle Communities Organization until March 2022 and November 2019 for total rental cost during the five year period of \$414,724 and \$55,800 respectively.

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14. 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.

15. 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.

16. Interfund Transfers

During the year, the Organization transferred \$97,336 (2017 - \$106,335) 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. Also, the organization transferred \$19,855 (2017 - \$NIL) from the Capital Fund to the MCYS Fund to cover the shortfall in funds relating to repairs and maintenance costs incurred.

17. 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.

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17. Financial Instruments (continued)

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, 2018. 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 and the balance budget fund receivable are owing from MCYS and will be collected upon completion of the relevant eligibility criteria. There has not 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, 2018. This risk has not changed from the previous period.

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 8. Accounts payable and accrued liabilities are usually paid within 30 days. This risk has not changed from the previous period.

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18. Balanced Budget Fund

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 deficit of Child Welfare funding for MCYS reporting of \$204,395 of which \$193,783 will be accessed from 2014/2015 surplus and \$10,612 will be accessed from 2015/2016 surplus within the Balanced Budget Fund. The cumulative amount of the Balanced Budget Fund has not been reported in these financial statements.

Balanced Budget Fund:

| Surplus for Child Welfare Operations | Expiry | Initial Amount | Amounts Accessed | Ending Amount |
|--------------------------------------|--------|-------------------|---------------------|-------------------|
| 2014-15 | 2018 | \$ 193,783 | \$ (193,783) | \$ - |
| 2015-16 | 2019 | 25,050 | (10,612) | 14,438 |
| 2016-17 | 2020 | 528,119 | - | 528,119 |
| 2017-18 | 2021 | - | - | - |
| | | <u>\$ 746,952</u> | <u>\$ (204,395)</u> | <u>\$ 542,557</u> |

19. Comparative Figures

The comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.