

**The Children's Aid Society
of the City of Guelph and the
County of Wellington
Financial Statements
For the year ended March 31, 2019**

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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 County of Wellington

Opinion

We have audited the financial statements of The Children's Aid Society of the City of Guelph and County of Wellington (the Organization), which comprise the statement of financial position of the MCCSS Fund and Other Funds as at March 31, 2019, and the the statement of operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Entity 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 Entity'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.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
June 5, 2019

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

	MCCSS Fund	Other Funds	Total March 31 2019	Total March 31 2018
Assets				
Current				
Cash (Note 2)	\$ -	\$ 745,943	\$ 745,943	\$ 1,267,343
Short-term investments (Note 3)	-	300,000	300,000	300,000
Trust funds (Note 4)	678,797	97,704	776,501	744,046
Ministry receivable (Note 5)	152,325	-	152,325	43,468
Balanced budget fund receivable (Note 18)	132,088	-	132,088	204,395
Accounts receivable (Note 6)	287,495	19,711	307,206	222,844
Prepaid expenses	172,670	-	172,670	111,831
Due from Children First Fund	28,800	-	28,800	97,769
Due from Capital Fund	-	-	-	92,702
Due from MCCSS Fund	-	126,853	126,853	83,877
Due from Ontario Child Benefit Equivalent Fund	-	-	-	603
	1,452,175	1,290,211	2,742,386	3,168,878
Capital assets (Note 7)	-	3,787,449	3,787,449	3,993,074
	\$ 1,452,175	\$ 5,077,660	\$ 6,529,835	\$ 7,161,952
Liabilities and Fund Balances				
Current				
Bank loans (Note 8)	\$ -	\$ 248,282	\$ 248,282	\$ 241,001
Bank indebtedness (Note 2)	17,013	-	17,013	-
Trust liability (Note 4)	678,797	97,704	776,501	744,046
Accounts payable and accrued liabilities	629,512	-	629,512	1,122,434
Due to MCCSS Fund	-	28,800	28,800	191,074
Due to Give Yourself Credit Fund	84,334	-	84,334	83,877
Due to Ontario Child Benefit Equivalent Fund	7,958	-	7,958	-
Due to Capital Fund	34,561	-	34,561	-
	1,452,175	374,786	1,826,961	2,382,432
Bank loans (Note 8)	-	3,412,423	3,412,423	3,660,666
	1,452,175	3,787,209	5,239,384	6,043,098
Fund balances				
Restricted	-	945,451	945,451	773,854
Unrestricted	-	-	-	-
Capital reserve (Note 14)	-	295,000	295,000	295,000
Educational Support Endowment reserve (Note 15)	-	50,000	50,000	50,000
	-	1,290,451	1,290,451	1,118,854
	\$ 1,452,175	\$ 5,077,660	\$ 6,529,835	\$ 7,161,952

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
MCCSS Fund - Statement Of Operations and Changes in
Fund Balances**

For the year ended March 31	2019	2018
Revenue		
MCCSS Funding		
Child Welfare	\$ 20,490,879	\$ 20,573,171
Repairs and Maintenance	-	270,000
Community Capacity Building	100,364	100,364
Education Liaison	66,949	20,400
Non-recurring revenue (Note 9)	969,396	981,006
	21,627,588	21,944,941
Expenditures		
Salaries and wages	10,697,252	10,473,791
Boarding rate payments (Note 10)	3,862,292	3,941,706
Benefits (Note 11)	3,000,639	2,968,310
Building occupancy (Note 10)	922,089	1,003,702
Adoption subsidy	821,624	708,593
Travel	514,605	658,300
Technology	422,841	642,692
Admission prevention	360,542	293,407
Professional services - client	211,992	156,912
Miscellaneous	211,624	169,412
Professional services - non-client	204,564	113,338
Client's personal needs	164,867	187,157
Office administration	128,109	131,242
Health and related	78,671	180,524
Training and recruitment	66,756	86,074
Promotion and publicity	59,274	59,002
Program expenses	7,103	4,265
Total expenses relating to regular operations	21,734,844	21,778,427
Other approved expenditures		
Repairs and Maintenance	-	270,000
Community Capacity Building	150,300	197,700
Education Liaison	67,617	20,400
Total expenditures	21,952,761	22,266,527
Deficiency of revenues over expenditures	(325,173)	(321,586)
Fund balance, beginning of year	-	-
Funds received from MCCSS	275,237	204,395
Interfund transfers (Note 16)	49,936	117,191
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					Total March 31 2019	Total March 31 2018
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund			
Assets							
Current							
Cash (Note 2)	\$ 301,377	\$ -	\$ -	\$ 444,566	\$ 745,943	\$ 821,485	
Short-term investments (Note 3)	300,000	-	-	-	300,000	300,000	
Trust funds (Note 4)	-	97,704	-	-	97,704	116,897	
Accounts receivable (Note 6)	4,892	7,382	3,679	3,758	19,711	13,159	
Due from MCCSS Fund	34,561	7,958	84,334	-	126,853	83,877	
	640,830	113,044	88,013	448,324	1,290,211	1,335,418	
Capital assets (Note 7)	3,787,449	-	-	-	3,787,449	3,993,074	
	\$4,428,279	\$ 113,044	\$ 88,013	\$ 448,324	\$5,077,660	\$5,328,492	
Liabilities and Fund Balances							
Current							
Bank loans (Note 8)	\$ 248,282	\$ -	\$ -	\$ -	\$ 248,282	\$ 241,001	
Trust liability (Note 4)	-	97,704	-	-	97,704	116,897	
Due to MCCSS Fund	-	-	-	28,800	28,800	191,074	
	248,282	97,704	-	28,800	374,786	548,972	
Bank loans (Note 8)	3,412,423	-	-	-	3,412,423	3,660,666	
	3,660,705	97,704	-	28,800	3,787,209	4,209,638	
Fund balances							
Internally restricted	472,574	15,340	88,013	369,524	945,451	773,854	
Capital reserve (Note 14)	295,000	-	-	-	295,000	295,000	
Educational Support Endowment reserve (Note 15)	-	-	-	50,000	50,000	50,000	
	767,574	15,340	88,013	419,524	1,290,451	1,118,854	
	\$4,428,279	\$ 113,044	\$ 88,013	\$ 448,324	\$5,077,660	\$5,328,492	

**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 2019	Total 2018
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund		
Revenues						
MCCSS - eligible funding	\$ -	\$ 88,613	\$ -	\$ -	\$ 88,613	\$ 84,197
Other	372,853	3,403	1,824	9,305	387,385	388,945
Donations	-	-	32,603	49,990	82,593	156,702
Grants	-	-	65,944	141,667	207,611	109,458
	372,853	92,016	100,371	200,962	766,202	739,302
Expenditures						
Amortization	205,626	-	-	-	205,626	192,507
Program	-	80,053	30,939	39,758	150,750	204,568
Interest on bank loan	113,038	-	-	-	113,038	120,185
Salaries and benefits	-	-	57,881	7,932	65,813	54,781
Rent	-	-	9,270	-	9,270	14,490
Administration	-	-	-	172	172	1,144
	318,664	80,053	98,090	47,862	544,669	587,675
Excess of revenues over expenditures	54,189	11,963	2,281	153,100	221,533	151,627
Fund balances, beginning of year	713,385	3,377	85,732	316,360	1,118,854	1,084,418
Interfund transfer (Note 16)	-	-	-	(49,936)	(49,936)	(117,191)
Fund balances, end of year	\$ 767,574	\$ 15,340	\$ 88,013	\$ 419,524	\$ 1,290,451	\$ 1,118,854

**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	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures		
- MCCSS Fund	\$ (325,173)	\$ (321,586)
- Other Funds	221,533	151,627
Funds received from MCCSS	275,237	204,395
Amortization - Other Funds	205,626	192,507
	<u>377,223</u>	226,943
Changes in non-cash working capital balances		
Ministry receivable	(108,857)	582,299
Balanced budget fund receivable	72,307	(204,395)
Balanced budget fund payable	-	(528,119)
Accounts receivable	(84,362)	(56,165)
Prepaid expenses	(60,839)	(2,252)
Accounts payable and accrued liabilities	(492,922)	314,333
	<u>(297,450)</u>	332,644
Cash flows from investing activities		
Proceeds on sale of short-term investments	-	250,000
Purchase of capital assets	-	(87,465)
	<u>-</u>	162,535
Cash flows from financing activities		
Net repayments of bank loans	(240,963)	(233,898)
	<u>(240,963)</u>	(233,898)
Change in cash position during the year	(538,413)	261,281
Cash position, beginning of year	1,567,343	1,306,062
Cash position, end of year	\$ 1,028,930	\$ 1,567,343
Represented by		
Cash - MCCSS Fund	\$ (17,013)	\$ 445,858
Cash - Other Funds	745,943	821,485
Short term investment - Other Funds	300,000	300,000
	<u>\$ 1,028,930</u>	<u>\$ 1,567,343</u>

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

Notes to the Financial Statements

March 31, 2019

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 MCCSS Fund records funding received from the Ministry of Children, Community and Social Services (MCCSS) 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 MCCSS 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, 2019

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 MCCSS for use in the OCBe Activities and Savings programs. The OCBe Activities program, developed by the MCCSS, 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, 2019

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Unrestricted contributions are recognized as revenue of the MCCSS 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 MCCSS has reviewed and approved the MCCSS 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.

Use of Estimates

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 MCCSS and depreciation of capital assets.

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, 2019

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, 2019, \$NIL (2018 - \$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 1.95% per annum and matures on January 24, 2020.

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 MCCSS. 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 MCCSS 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.

	2019	2018
Client Trust Funds	\$ 131,606	\$ 149,315
RESP Trust Funds	547,191	477,834
	<u>678,797</u>	<u>627,149</u>
OCBE Savings	97,704	116,897
	<u>\$ 776,501</u>	<u>\$ 744,046</u>

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

March 31, 2019

5. Ministry Receivable

	2019	2018
Target subsidies funding, actual	\$ 143,606	\$ 378,808
Targeted subsidies received	(130,410)	(335,340)
	13,196	43,468
Age of Protection, actual	273,261	35,827
Age of Protection received	(143,308)	(35,827)
	129,953	-
Other Ministry receivable	9,176	-
Ministry receivable	\$ 152,325	\$ 43,468

The above amounts are due from the Ministry of Children, Community and Social Services.

6. Accounts Receivable

	2019	2018
Due from organizations - MCCSS	\$ 145,639	\$ 48,036
Sales Tax rebate - MCCSS	141,856	161,649
	287,495	209,685
Sales Tax rebate - Other Funds	19,711	13,159
	\$ 307,206	\$ 222,844

7. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,149,486	\$ -	\$ 1,149,486	\$ -
Building	3,472,970	1,176,015	3,472,970	1,048,407
Furniture and equipment	386,639	310,186	386,639	285,486
Network equipment	133,279	83,017	133,279	55,161
Leasehold improvements	509,212	294,919	509,212	269,458
	\$ 5,651,586	\$ 1,864,137	\$ 5,651,586	\$ 1,658,512
		\$ 3,787,449		\$ 3,993,074

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

March 31, 2019

8. Bank Loans

The Organization has access to the following loan:

	<u>2019</u>	<u>2018</u>
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.	\$ 3,660,705	\$ 3,901,667
Less: current portion	<u>(248,282)</u>	<u>(241,001)</u>
	<u>\$ 3,412,423</u>	<u>\$ 3,660,666</u>

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 \$3,446,441 (2018 - \$3,574,049).

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

2020	\$ 248,282
2021	255,783
2022	<u>3,156,640</u>
	<u>\$ 3,660,705</u>

9. Non-Recurring Revenue

	<u>2019</u>	<u>2018</u>
Family allowance	\$ 447,023	\$ 485,573
Sales tax recovered	304,504	312,283
Other Society wards	126,717	82,040
Program cost recoveries	64,225	60,957
Interest	18,415	16,192
Other	8,512	23,661
Parental maintenance	-	300
	<u>\$ 969,396</u>	<u>\$ 981,006</u>

The above amounts are revenue that is part of the MCCSS Fund statement of operations.

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

Notes to the Financial Statements

March 31, 2019

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 MCCSS 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 \$134,232 (2018 - \$137,161). Included in this amount is \$103,681 (2018 - \$103,681) recorded in building occupancy and \$30,551 (2018 - \$33,480) recorded in boarding rate payments.

The Organization also charges Kindle Communities Organization a management fee which relates to the staff wages and benefits costs attributable to management of Kindle Communities Organization. This is recorded in the MCCSS Fund at the exchange amount (the amount of consideration established and agreed to by the related parties). Total amounts received from Kindle Communities Organization during the year were \$39,480 (2018 - \$39,060).

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 \$1,087,803 (2018 - \$1,055,099) and is included in benefits expense in the MCCSS - Fund Statement of Operations and Changes in Fund Balances.

12. Economic Dependence

The Organization receives 95.5% (2018 - 95.5%) of its eligible funding from the MCCSS. The future of the Organization is reliant on MCCSS providing sufficient ongoing funding to manage the requirements of current and future years.

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

March 31, 2019

13. Commitments

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

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

2020	227,701
2021	154,531
2022	<u>103,681</u>
	<u>\$ 485,913</u>

The minimum annual lease payments include a commitment to lease office space at various facilities from Kindle Communities Organization until November 2019 and March 2022 for total rental cost during the five year period of \$22,320 and \$311,043 respectively.

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 internally restricted 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 \$49,936 (2018 - \$97,335) from the Children First Fund to the MCCSS Fund to cover the shortfall in funds relating to the Community Capacity Building programs for the current year. Also, the organization transferred \$NIL (2018 - \$19,855) from the Capital Fund to the MCCSS Fund to cover the shortfall in funds relating to repairs and maintenance costs incurred.

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

Notes to the Financial Statements

March 31, 2019

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.

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, 2019. 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 MCCSS 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 MCCSS. 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, 2019. This risk has not changed from the previous period.

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17. 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 MCCSS 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.

18. Balanced Budget Fund

The Organization has a legal requirement to return any surplus Child Welfare funding, as calculated for MCCSS reporting, to the MCCSS. The MCCSS, 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 MCCSS on an individual CAS basis, in an amount up to each CAS's accumulated surplus (as calculated for MCCSS reporting) that has been returned to the MCCSS. 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 MCCSS guidelines for use. During the year, the Organization generated a deficit of Child Welfare funding for MCCSS reporting of \$132,088 of which \$14,438 will be accessed from 2015/2016 surplus and \$117,650 will be accessed from 2016/2017 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
2015-16	2019	\$ 14,438	\$ (14,438)	\$ -
2016-17	2020	528,113	(117,650)	410,463
		<u>\$ 542,551</u>	<u>\$ (132,088)</u>	<u>\$ 410,463</u>

19. Comparative Figures

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