

**The Children's Aid Society
of the City of Guelph and the
County of Wellington
Financial Statements
For the year ended March 31, 2020**



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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, 2020, 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, 2020, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
June 3, 2020

**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 2020	Total March 31 2019
Assets				
Current				
Cash (Note 2)	\$ 763,378	\$ 861,223	\$ 1,624,601	\$ 745,943
Short-term investments (Note 3)	-	300,000	300,000	300,000
Trust funds (Note 4)	699,492	92,062	791,554	776,501
Ministry receivable (Note 5)	19,628	-	19,628	152,325
Balanced budget fund receivable (Note 19)	410,463	-	410,463	132,088
Accounts receivable (Note 6)	273,455	-	273,455	307,206
Prepaid expenses	226,232	-	226,232	172,670
Due from Children First Fund	25,917	-	25,917	28,800
Due from MCCSS Fund	-	90,317	90,317	126,853
	<u>2,418,565</u>	<u>1,343,602</u>	<u>3,762,167</u>	<u>2,742,386</u>
Capital assets (Note 7)	-	3,846,033	3,846,033	3,787,449
	<u>\$ 2,418,565</u>	<u>\$ 5,189,635</u>	<u>\$ 7,608,200</u>	<u>\$ 6,529,835</u>
Liabilities and Fund Balances				
Current				
Bank loans (Note 8)	\$ -	\$ 255,783	\$ 255,783	\$ 248,282
Bank indebtedness (Note 2)	-	-	-	17,013
Trust liability (Note 4)	699,492	92,062	791,554	776,501
Accounts payable and accrued liabilities	1,628,756	-	1,628,756	629,512
Due to MCCSS Fund	-	25,917	25,917	28,800
Due to Give Yourself Credit Fund	64,247	-	64,247	84,334
Due to Ontario Child Benefit Equivalent Fund	-	-	-	7,958
Due to Capital Fund	26,070	-	26,070	34,561
	<u>2,418,565</u>	<u>373,762</u>	<u>2,792,327</u>	<u>1,826,961</u>
Bank loans (Note 8)	-	3,157,524	3,157,524	3,412,423
	<u>2,418,565</u>	<u>3,531,286</u>	<u>5,949,851</u>	<u>5,239,384</u>
Fund balances				
Restricted	-	1,313,349	1,313,349	945,451
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>1,658,349</u>	<u>1,658,349</u>	<u>1,290,451</u>
	<u>\$ 2,418,565</u>	<u>\$ 5,189,635</u>	<u>\$ 7,608,200</u>	<u>\$ 6,529,835</u>

On behalf of the Board:

Gemma Banda Board Chair Director Heidi Marble Executive Director

**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	2020	2019
Revenue		
MCCSS Funding		
Child Welfare	\$20,778,871	\$ 20,490,879
Repairs and Maintenance	-	-
Community Capacity Building	100,364	100,364
Education Liaison	65,998	66,949
Non-recurring revenue (Note 9)	600,329	969,396
	<u>21,545,562</u>	<u>21,627,588</u>
Expenditures		
Salaries and wages	10,657,734	10,697,252
Boarding rate payments (Note 10)	3,218,416	3,862,292
Benefits (Note 11)	3,104,872	3,000,639
Building occupancy (Note 10)	950,608	922,089
Adoption subsidy	889,086	821,624
Technology	689,331	422,841
Travel	359,958	514,605
Admission prevention	316,986	360,542
Miscellaneous	269,847	211,624
Client's personal needs	268,661	164,867
Professional services - client	247,725	211,992
Professional services - non-client	154,353	204,564
Health and related	119,630	78,671
Office administration	119,480	128,109
Training and recruitment	112,111	66,756
Promotion and publicity	59,116	59,274
Program expenses	2,419	7,103
	<u>21,540,333</u>	<u>21,734,844</u>
Total expenses relating to regular operations		
Other approved expenditures		
Community Capacity Building	100,364	150,300
Education Liaison	65,998	67,617
	<u>166,362</u>	<u>217,917</u>
Total expenditures	<u>21,706,695</u>	<u>21,952,761</u>
Deficiency of revenues over expenditures	(161,133)	(325,173)
Fund balance, beginning of year	-	-
Funds received from MCCSS (Note 19)	410,463	275,237
Interfund transfers (Note 17)	(249,330)	49,936
	<u>\$ -</u>	<u>\$ -</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</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
Other Funds - Statement of Financial Position**

	Restricted Funds					Total March 31 2020	Total March 31 2019
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund			
Assets							
Current							
Cash (Note 2)	\$ 318,147	\$ -	\$ -	\$ 543,076	\$ 861,223	\$ 745,943	
Short-term investments (Note 3)	300,000	-	-	-	300,000	300,000	
Trust funds (Note 4)	-	92,062	-	-	92,062	97,704	
Accounts receivable (Note 6)	-	-	-	-	-	19,711	
Due from MCCSS Fund	26,070	-	64,247	-	90,317	126,853	
	644,217	92,062	64,247	543,076	1,343,602	1,290,211	
Capital assets (Note 7)	3,846,033	-	-	-	3,846,033	3,787,449	
	\$4,490,250	\$ 92,062	\$ 64,247	\$ 543,076	\$5,189,635	\$5,077,660	
Liabilities and Fund Balances							
Current							
Bank loans (Note 8)	\$ 255,783	\$ -	\$ -	\$ -	\$ 255,783	\$ 248,282	
Trust liability (Note 4)	-	92,062	-	-	92,062	97,704	
Due to MCCSS Fund	-	-	-	25,917	25,917	28,800	
	255,783	92,062	-	25,917	373,762	374,786	
Bank loans (Note 8)	3,157,524	-	-	-	3,157,524	3,412,423	
	3,413,307	92,062	-	25,917	3,531,286	3,787,209	
Fund balances							
Internally restricted	781,943	-	64,247	467,159	1,313,349	945,451	
Capital reserve (Note 14)	295,000	-	-	-	295,000	295,000	
Educational Support Endowment reserve (Note 15)	-	-	-	50,000	50,000	50,000	
	1,076,943	-	64,247	517,159	1,658,349	1,290,451	
	\$4,490,250	\$ 92,062	\$ 64,247	\$ 543,076	\$5,189,635	\$5,077,660	

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
Other Funds - Statement Of Operations and Changes in Fund Balances**

For the year ended March 31

	Restricted Funds					Total 2019
	Capital Fund	Ontario Child Benefit Equivalent Fund	Give Yourself Credit Fund	Children First Fund	Total 2020	
Revenues						
MCCSS - eligible funding	\$ -	\$ 74,964	\$ -	\$ -	\$ 74,964	\$ 88,613
Other	376,770	-	-	10,325	387,095	387,385
Donations	-	-	27,445	111,754	139,199	82,593
Grants	-	-	65,944	77,564	143,508	207,611
	<u>376,770</u>	<u>74,964</u>	<u>93,389</u>	<u>199,643</u>	<u>744,766</u>	<u>766,202</u>
Expenditures						
Amortization	205,626	-	-	-	205,626	205,626
Program	-	90,304	20,842	101,929	213,075	150,750
Interest on bank loan	111,105	-	-	-	111,105	113,038
Salaries and benefits	-	-	85,913	79	85,992	65,813
Rent	-	-	10,400	-	10,400	9,270
Administration	-	-	-	-	-	172
	<u>316,731</u>	<u>90,304</u>	<u>117,155</u>	<u>102,008</u>	<u>626,198</u>	<u>544,669</u>
Excess of revenues over expenditures	60,039	(15,340)	(23,766)	97,635	118,568	221,533
Fund balances, beginning of year	767,574	15,340	88,013	419,524	1,290,451	1,118,854
Interfund transfer (Note 17)	249,330	-	-	-	249,330	(49,936)
Fund balances, end of year	<u>\$ 1,076,943</u>	<u>\$ -</u>	<u>\$ 64,247</u>	<u>\$ 517,159</u>	<u>\$ 1,658,349</u>	<u>\$ 1,290,451</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
Statement of Cash Flows**

For the year ended March 31	2020	2019
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures		
- MCCSS Fund	\$ (161,133)	\$ (325,173)
- Other Funds	118,568	221,533
Funds received from MCCSS	410,463	275,237
Amortization - Other Funds	205,626	205,626
	<u>573,524</u>	<u>377,223</u>
Changes in non-cash working capital balances		
Ministry receivable	132,697	(108,857)
Balanced budget fund receivable	(278,375)	72,307
Accounts receivable	33,751	(84,362)
Prepaid expenses	(53,562)	(60,839)
Accounts payable and accrued liabilities	999,244	(492,922)
	<u>1,407,279</u>	<u>(297,450)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(264,210)</u>	-
Cash flows from financing activities		
Net repayments of bank loans	<u>(247,398)</u>	<u>(240,963)</u>
Change in cash position during the year	895,671	(538,413)
Cash position, beginning of year	<u>1,028,930</u>	<u>1,567,343</u>
Cash position, end of year	<u>\$ 1,924,601</u>	<u>\$ 1,028,930</u>
Represented by		
Cash - MCCSS Fund	\$ 763,378	\$ (17,013)
Cash - Other Funds	861,223	745,943
Short term investment - Other Funds	300,000	300,000
	<u>\$ 1,924,601</u>	<u>\$ 1,028,930</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, 2020

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, Youth 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	<p>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:</p> <table><tr><td>Building</td><td>5% diminishing balance basis</td></tr><tr><td>Furniture and equipment</td><td>20% diminishing balance basis</td></tr><tr><td>Network equipment</td><td>30% diminishing balance basis</td></tr></table> <p>Leasehold improvements are amortized straight-line over the term of the premises lease and available renewal terms.</p> <p>Full amortization is provided in the year assets are put into use and no amortization is taken in the year of disposal.</p>	Building	5% diminishing balance basis	Furniture and equipment	20% diminishing balance basis	Network equipment	30% diminishing balance basis
Building	5% diminishing balance basis						
Furniture and equipment	20% diminishing balance basis						
Network equipment	30% diminishing balance basis						
Fund Accounting	<p>The Organization follows the restricted fund method of accounting for contributions using the following funds:</p> <p>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, education learning and certain one-time additional funding to cover specific expenditures for that year.</p>						

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

Notes to the Financial Statements

March 31, 2020

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 Education and Transition Support, Early Help & Prevention, and Permanency Support & 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, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition	<p>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.</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 MCCSS 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
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Notes to the Financial Statements**

March 31, 2020

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, 2020, \$NIL (2019 - \$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 April 23, 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.

	2020	2019
Client Trust Funds	\$ 97,424	\$ 131,606
RESP Trust Funds	602,068	547,191
	699,492	678,797
OCBE Savings	92,062	97,704
	\$ 791,554	\$ 776,501

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

March 31, 2020

5. Ministry Receivable

	2020	2019
Targeted subsidies funding, actual	\$ 164,306	\$ 143,606
Targeted subsidies received	(148,005)	(130,410)
	16,301	13,196
Age of Protection, actual	-	273,261
Age of Protection received	-	(143,308)
	-	129,953
Other Ministry receivable	3,327	9,176
Ministry receivable	\$ 19,628	\$ 152,325

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

6. Accounts Receivable

	2020	2019
Due from organizations - MCCSS	\$ 38,271	\$ 145,639
Sales Tax rebate - MCCSS	235,184	141,856
	273,455	287,495
Sales Tax rebate - Other Funds	-	19,711
	\$ 273,455	\$ 307,206

7. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,149,486	\$ -	\$ 1,149,486	\$ -
Building	3,472,970	1,303,624	3,472,970	1,176,015
Furniture and equipment	540,054	334,887	386,639	310,186
Network equipment	244,076	110,874	133,279	83,017
Leasehold improvements	509,212	320,380	509,212	294,919
	\$ 5,915,798	\$ 2,069,765	\$ 5,651,586	\$ 1,864,137
		\$ 3,846,033		\$ 3,787,449

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

March 31, 2020

8. Bank Loans

The Organization has access to the following loan:

	2020	2019
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.	\$ 3,413,307	\$ 3,660,705
Less: current portion	(255,783)	(248,282)
	\$ 3,157,524	\$ 3,412,423

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 \$3,318,832 (2019 - \$3,446,441).

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

2021	\$ 255,783
2022	3,157,524
	\$ 3,413,307

9. Non-Recurring Revenue

	2020	2019
Family allowance	\$ 368,914	\$ 447,023
Program cost recoveries	109,949	64,225
Other	55,335	8,512
Other Society wards	34,590	126,717
Interest	31,541	18,415
Sales tax recovered	-	304,504
	\$ 600,329	\$ 969,396

The above amounts are revenue that is part of the MCCSS Fund statement of operations. In the current year, sales tax recovered has been netted against the related expenditures.

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

March 31, 2020

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 \$161,032 (2019 - \$134,232). Included in this amount is \$124,925 (2019 - \$103,681) recorded in building occupancy and \$36,107 (2019 - \$30,551) 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 \$34,344 (2019 - \$39,480).

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 \$1,085,692 (2019 - \$1,087,803) and is included in benefits expense in the MCCSS - Fund Statement of Operations and Changes in Fund Balances.

12. Economic Dependence

The Organization receives 94.1% (2019 - 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. However, the Organization also relies on fundraising activities and other external funding in order to ensure it can deliver all required programs.

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

March 31, 2020

13. Commitments

The Organization has entered into various operating leases for office space. These leases have expiry dates between September 2021 and March 2022.

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

2021	209,735
2022	<u>158,885</u>
	<u>\$ 368,620</u>

The minimum annual lease payments include a commitment to lease office space at various facilities from Kindle Communities Organization until March 2022 for total rental cost during the five year period of \$216,070.

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. Contracts with Ministry of Children, Community and Social Services

The Society has service contracts with the Ministry of Children, Community and Social Services. One requirement of the contracts is the preparation of a Transfer Payment Annual Reconciliation (TPAR), which shows a summary by service of all revenues and expenses and any resulting surplus (deficit) that relates to the contract, prepared in accordance with Ministry guidelines. The surplus (deficit) for Ministry reporting will differ from the Child Welfare Fund surplus (deficit) position due to timing differences. The excess (deficit) of revenues over expenditures in the Child Welfare Fund, after the transfer to the Capital Fund, is (\$410,463) (2019 - \$275,237).

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17. Interfund Transfers

During the year, the Organization transferred \$NIL (2019 - \$49,936) 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. The Child Welfare funding received from the Ministry of Children, Community and Social Services includes funding for capital acquisitions as well as for building occupancy costs. Transfers are made from the Child Welfare Fund to the Capital Fund each year to fund the cash outlays (capital asset acquisitions). During the year \$249,330 (2019 - \$NIL) was transferred from the Child Welfare Fund to the Capital Fund.

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, 2020. This risk has not changed from the previous period.

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18. Financial Instruments (continued)

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, 2020. At year-end, the credit risk related to the Organization's accounts receivable has increased due to the impact of COVID-19, which could lead to potential losses.

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. The risk has not changed from the previous period.

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19. 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 \$410,463 which 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:		Initial Amount	Amounts Accessed	Ending Amount
Surplus for Child Welfare Operations 2016-17	Expiry 2020	410,463	(410,463)	-
		<u>\$ 410,463</u>	<u>\$ (410,463)</u>	<u>\$ -</u>

20. Material Uncertainty

On March 11 2020, the World Health Organization characterized the outbreak COVID-19 as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Society in future periods. In response to the emergency declaration in Ontario related to COVID-19, additional costs were incurred by the Society. These costs are included in the Child Welfare Fund in the Statement of operations and changes in fund balances (\$20,540).