

Financial Statements of

**CHILDREN'S AID SOCIETY
OF TORONTO**

Year ended March 31, 2018



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of the Children's Aid Society of Toronto

We have audited the accompanying financial statements of the Children's Aid Society of Toronto, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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, 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.

Auditors' 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 our 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, we consider 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 audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Children's Aid Society of Toronto as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2018
Vaughan, Canada

CHILDREN'S AID SOCIETY OF TORONTO


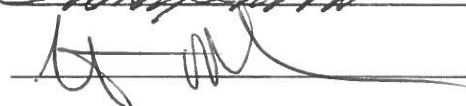
Statement of Financial Position
(In thousands of dollars)

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,211	\$ 25,682
Funding receivable (note 14)	4,029	2,386
Accounts receivable and prepaid expenses (note 2)	5,832	6,227
Receivable from Children's Aid Foundation of Canada (note 9)	10,655	10,242
	<u>46,727</u>	<u>44,537</u>
Capital assets (note 3)	33,028	30,805
	<u>\$ 79,755</u>	<u>\$ 75,342</u>
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 23,547	\$ 21,574
Current portion of mortgages payable (note 6)	614	601
	<u>24,161</u>	<u>22,175</u>
Deferred contributions (note 7):		
Expenses of future years	4,517	4,804
Capital assets	12,775	13,252
	<u>17,292</u>	<u>18,056</u>
Mortgages payable (note 6)	6,544	7,160
Employee future benefits (note 8)	3,152	3,441
	<u>51,149</u>	<u>50,832</u>
Fund balances:		
Operating	4,747	651
Internally Restricted	7,000	7,000
Special Purposes	16,859	16,859
	<u>28,606</u>	<u>24,510</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 79,755</u>	<u>\$ 75,342</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

CHILDREN'S AID SOCIETY OF TORONTO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

	Operating		Special Purposes	
	2018	2017	2018	2017
Revenue:				
Government:				
Ontario (note 14)	\$ 162,749	\$ 161,011	\$ 1,062	\$ 1,242
Child Welfare Program funding deficiency (balanced budget fund) (note 14)	3,466	1,498	–	–
Canada	4,544	5,570	–	–
City of Toronto	53	57	–	–
Grants from Children's Aid Foundation of Canada (note 9)	1,438	989	2,840	2,830
Investment	269	231	37	1
Program service and building fees	139	134	85	58
Amortization of deferred contributions relating to capital assets (note 7(b))	53	53	424	424
Other	625	682	239	264
	173,336	170,225	4,687	4,819
Expenses:				
Salaries and benefits	93,570	92,782	1,180	1,179
Board rate payments	44,511	48,668	–	–
Client-related	11,976	12,651	1,966	2,136
Occupancy and office (note 6)	9,865	9,212	255	315
Travel	2,989	2,348	63	48
Amortization of capital assets	2,846	2,674	807	807
Purchased services	1,268	1,590	145	160
Training and recruitment	458	336	98	53
Other	1,757	1,142	173	121
	169,240	171,403	4,687	4,819
Excess (deficiency) of revenue over expenses	\$ 4,096	\$ (1,178)	\$ –	\$ –

See accompanying notes to financial statements.

CHILDREN'S AID SOCIETY OF TORONTO

Statement of Changes in Fund Balances (In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

2018	Operating	Internally Restricted	Special Purposes	Total
Fund balances, beginning of year	\$ 651	\$ 7,000	\$ 16,859	\$ 24,510
Excess of revenue over expenses	4,096	–	–	4,096
Fund balances, end of year	\$ 4,747	\$ 7,000	\$ 16,859	\$ 28,606

2017	Operating	Internally Restricted	Special Purposes	Total
Fund balances, beginning of year	\$ 1,829	\$ 7,000	\$ 16,859	\$ 25,688
Deficiency of revenue over expenses	(1,178)	–	–	(1,178)
Fund balances, end of year	\$ 651	\$ 7,000	\$ 16,859	\$ 24,510

See accompanying notes to financial statements.

CHILDREN'S AID SOCIETY OF TORONTO

Statement of Cash Flows (In thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses:		
Operating Fund and Special Purposes Fund	\$ 4,096	\$ (1,178)
Items not involving cash:		
Amortization of capital assets	3,653	3,481
Amortization of deferred contributions relating to capital assets	(477)	(477)
Gain on disposition of capital assets	(48)	–
Net change in deferred contributions received	(287)	795
Net change in employee future benefits	(289)	287
Change in non-cash operating working capital	312	7,113
	<u>6,960</u>	<u>10,021</u>
Financing activities:		
Repayment of mortgages	(603)	(572)
Investing activities:		
Purchase of capital assets	(5,876)	(2,506)
Proceeds from disposition of capital assets	48	–
	<u>(5,828)</u>	<u>(2,506)</u>
Increase in cash and cash equivalents	529	6,943
Cash and cash equivalents, beginning of year	25,682	18,739
Cash and cash equivalents, end of year	<u>\$ 26,211</u>	<u>\$ 25,682</u>

See accompanying notes to financial statements.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2018

The Children's Aid Society of Toronto (the "Society") was originally established in 1891 and is incorporated, without share capital, under the Corporations Act (Ontario). The Society is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

The Society provides a range of protection and prevention services, as mandated by the Ontario Child and Family Services Act (RSO 1990 Chapter c.11), to children in the Toronto area. Funding for these services is principally provided by the Province of Ontario. The Society is dependent upon this funding for continued operations.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Funds:

The Society operates the following funds:

(i) Operating Fund:

The Operating Fund records the general operations of the Society and is primarily funded from government sources.

(ii) Special Purposes Fund:

The Special Purposes Fund reflects grants received from the Children's Aid Foundation of Canada ("CAFC"), donations from other private sources and funding from government for specified preventive child abuse programs and research-oriented child welfare projects.

The Society's Board of Directors restricted the use of the funds from the sales of the land on the Charles Street site to future real estate-related uses of the Society. The uncommitted amount in this Real Estate Fund, which is included in the Special Purposes Fund at March 31, 2018, was \$6,291 (2017 - \$5,906).

(iii) Internally Restricted Fund:

The Society's Board of Directors has internally restricted \$7,000 (2017 - \$7,000) for operating purposes.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

The Society is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children and Youth Services ("MCYS"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue related to user fees, income from services rendered and investment income is recorded as it is earned.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and cashable guaranteed investment certificates ("GICs") or GICs with original maturities less than 3 months.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

There are no items to be reported on the statement of remeasurement gains and losses, and as a result, this statement has not been presented.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized annually on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Leasehold improvements	15 years
Furniture and equipment	5 years
Vehicles	3 years
Computer hardware and software	3 years

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Employee future benefits:

The Society provides sick leave benefits to its employees that accumulate but do not vest. The Society accrues this obligation based on future expectation of utilization of the benefit.

The costs of multi-employer defined benefit plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contribution to the plan in the period.

The Society provides its employees with a benefits plan (including health, dental and other benefits) through an Administrative Services Only ("ASO") plan. The plan is funded by the Society based on experience and contribution factors, as determined with the plan provider. Amounts in excess of current requirements are considered surpluses and are refundable by the plan provider to the Society.

(g) Donated goods and services:

The Society benefits substantially from donated goods and services in the form of volunteer time. Since these invaluable donated goods and services are not purchased, they are not recorded in these financial statements.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable and prepaid expenses

Included in accounts receivable and prepaid expenses are surpluses the Society has in its ASO and Healthcare Spending Account plans in excess of actual health benefits claimed. Prepaid expenses included \$2,343 (2017 - nil) related to these plans.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

3. Capital assets:

2018	Cost	Accumulated amortization	Net book value
Land	\$ 217	\$ –	\$ 217
Buildings	37,192	11,025	26,167
Leasehold improvements	1,184	377	807
Furniture and equipment	8,083	6,534	1,549
Vehicles	438	155	283
Computer hardware and software	10,722	6,717	4,005
	\$ 57,836	\$ 24,808	\$ 33,028

2017	Cost	Accumulated amortization	Net book value
Land	\$ 217	\$ –	\$ 217
Buildings	35,891	10,111	25,780
Leasehold improvements	1,185	298	887
Furniture and equipment	7,307	6,286	1,021
Vehicles	596	596	–
Computer hardware and software	10,909	8,009	2,900
	\$ 56,105	\$ 25,300	\$ 30,805

4. Credit facilities:

The Society has a \$14,000 line of credit available which is due on demand. This credit facility is secured by a general security agreement, which allocates the Society's properties on a pro-rata basis between both lenders. No amount was outstanding under this facility at March 31, 2018 and 2017.

The Society holds an additional credit facility, with a different lender, that provides for a \$1,000 revolving lease line of credit. The \$1,000 revolving lease line of credit is due on demand. This credit facility is secured by a general security agreement, which allocates the Society's properties on a pro-rata basis between its lenders, and a collateral mortgage in the amount of \$15,000 on land and improvements owned by the Society. No amounts were outstanding under the revolving lease line of credit at March 31, 2018 and 2017.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

4. Credit facilities (continued):

The Society is required to comply with certain non-financial covenants in accordance with the terms of the credit facilities. As at March 31, 2018, the Society was in compliance with these covenants.

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities comprise:

	2018	2017
Accounts payable and other accruals	\$ 9,360	\$ 10,611
Salaries and benefits	14,187	10,963
	\$ 23,547	\$ 21,574

Included in salaries and benefits is \$1,298 (2017 - nil) for accumulated authorized absence days. Employees earn six days of authorized absence per year of service of which four days may be carried over from year to year, provided the total days accrued does not exceed 10 days. Employees are not entitled to a cash payment on termination or retirement. The accrual is calculated based on historic usage of this benefit.

6. Mortgages payable:

	Interest rate	Maturity date	2018	2017
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.40%	February 28, 2021	\$ 2,258	\$ 2,414
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.40%	February 28, 2021	2,181	2,373
RBC loan, monthly principal payments plus interest	Bankers' acceptance + 0.40%	February 28, 2021	2,719	2,974
			7,158	7,761
Less current portion			614	601
			\$ 6,544	\$ 7,160

Interest expense on the mortgages amounted to \$236 (2017 - \$285) and is included in occupancy and office expense.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

6. Mortgages payable (continued):

Minimum principal repayments due within each of the next three years are as follows:

2019	\$	614
2020		627
2021		5,917
	\$	7,158

7. Deferred contributions:

(a) Expenses of future years:

Deferred contributions related to expenses of future years represent unspent amounts received for specific purposes.

	2018	2017
Balance, beginning of year	\$ 4,804	\$ 4,009
Funding received plus interest	3,889	5,263
Amount recognized as revenue	(3,979)	(4,121)
Ontario Child Benefit Equivalency savings accrued	(197)	(337)
Funding for generic program returned	-	(10)
Balance, end of year	\$ 4,517	\$ 4,804

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions received for the purchase of capital assets. The amortization of these capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	\$ 13,252	\$ 13,729
Amount recognized as revenue	(477)	(477)
Balance, end of year	\$ 12,775	\$ 13,252

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

8. Employee future benefits:

(a) Sick leave liability:

The employee future benefit liability includes \$2,932 for accumulated sick leave benefits (2017 - \$3,174). Under the accumulated sick leave benefit plan, employees earn 18 days per year of service and are allowed to accumulate unused sick day credits up to a maximum of 100 days. Employees are not entitled to a cash payment on termination or retirement. The accrual is calculated based on historic usage of this benefit.

(b) Multi-employer defined benefit plan:

All regular full-time and part-time employees of the Society are eligible to be members of OMERS, which is a multi-employer defined benefit plan. Employer contributions made to the plan during 2018 by the Society for current and past service amounted to \$7,052 (2017 - \$7,269) and \$139 (2017 - \$28), respectively.

9. Children's Aid Foundation of Canada:

The CAFC raises money from the public and corporate sectors and provides grants to the Society for preventive child abuse programs, as well as research-oriented child welfare projects for which regular government funding is not available.

(a) Grants from CAFC - Special Purposes Fund:

CAFC donated \$2,930 (2017 - \$4,088) for these special purpose projects, of which \$4,158 (2017 - \$4,068) is unspent at year end and is included in deferred contributions (note 7(a)).

	2018	2017
Balance, beginning of year	\$ 4,068	\$ 2,810
Funding received	2,930	4,088
Amount recognized as revenue	(2,840)	(2,830)
Balance, end of year	\$ 4,158	\$ 4,068

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

9. Children's Aid Foundation of Canada (continued):

(b) Grants from CAFC - Operating Fund:

Properties are leased from CAFC for rent of \$343 (2017 - \$420). CAFC donated \$343 (2017 - \$420) to the Society in connection with this rent. The leases are for a one-year term, renewable annually. In addition, \$1,095 (2017 - \$569) was donated for other programs. Total donations to the Operating Fund are \$1,438 (2017 - \$989).

Certain administration functions are performed by the Society for CAFC for \$10 (2017 - \$10) per year.

Included in receivable from CAFC is \$10,000 (2017 - \$10,000) held by CAFC for a Real Estate Fund for the Society under an agreement between the two parties.

10. Commitments:

- (a) The Society has entered into operating leases up to 2027 for vehicles, office equipment and premises other than those leased from CAFC (note 9(b)).

Future minimum lease payments under operating leases are as follows:

2019	\$	1,812
2020		1,848
2021		1,885
2022		1,922
2023		1,961
Thereafter		8,244
		<hr/>
	\$	17,672

- (b) The Society has entered into agreements with certain adoptive parents to provide financial assistance for the care of adopted children. The approximate annual commitment for each of the next five years is \$3,956 (2017 - \$3,671).

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

11. Contingencies:

The Society is party to legal actions arising in the ordinary course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of the Society. The Society maintains a level of insurance coverage.

12. Custodial assets:

The Society maintains cash and investments on behalf of children in the amount of \$231 (2017 - \$235). These amounts are not included in these financial statements.

13. Indemnification of officers and directors:

The Society's by-law states that the Society will indemnify its directors, officers and other persons undertaking any liability on behalf of the Society from any costs, charges and expenses whatsoever which such person sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him or her or in respect of any act, deed, matter, or thing whatsoever made, done or permitted by him or her in or about the execution of duties of his or her office, except such costs, charges or expenses as are occasioned by his or her own wilful neglect or default.

The Society's basic errors and omissions insurance policy covers directors, officers and other persons for up to \$15,000 annually in the aggregate, with respect to liability for damages imposed by a court of law in connection with the execution of their duties on behalf of the Society. In addition, the Society's insurance provides up to \$10,000 annual aggregate coverage for directors and officers with respect to claims made against them in the discharge of their duties for the Society where no protection exists under the Society's basic errors and omissions policy.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

13. Indemnification of officers and directors (continued):

In the unlikely event that a director or officer, in the execution of his or her duties, becomes liable for costs in excess of the Society's insurance coverage, the Society by-law described above obligates the Society to indemnify the individual for such costs. The nature of this indemnity prevents the Society from reasonably estimating the maximum exposure. Historically, the Society has not made significant payments nor does it expect to make any significant payments under such indemnity. While this may be a potential liability, in the Society's view, it is highly unlikely to occur.

14. Additional information:

The Society has Service Contracts/Child Family Services Act ("CFSA") Approvals with the MCYS and the Ministry of Community and Social Services ("MCSS"). The following is a reconciliation report which summarizes by service (project code), all revenue and expenses and identifies any resulting surplus or deficit that relates to the Service Contracts/CFSA Approvals.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

14. Additional information (continued):

A review of this report shows the following services to be in a balanced position as at March 31, 2018, inclusive of Balanced Budget Fund funding.

MCYS Child Welfare Program:

	Core Funding Block I
Detail code	A760
Revenue:	
MCYS 2017-18 funding	\$ 159,194
Additional targeted subsidies funding	170
Funding from Balanced Budget Fund	3,466
	162,830
Non-MCYS funding	6,487
	169,317
Expenses:	
Board rate payments	44,391
Salaries and benefits	92,996
Client-related	11,634
Occupancy and office	14,092
Travel	3,229
Purchased services	1,152
Training and recruitment	453
Other	1,370
	169,317
Excess of revenue over expenses	\$ -

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

14. Additional information (continued):

During 2014, MCYS announced the creation of the "Balanced Budget Fund" to support Children's Aid Societies in meeting the newly announced balanced budget requirements that were outlined in the Child and Family Services Act Regulation 70. The Balanced Budget Fund process has been developed individually for each Children's Aid Society and will reflect the accumulated surplus that was returned to MCYS each year. To be eligible to access these funds, the Society must meet two conditions:

- (a) the Society must have generated a prior year surplus recovered in or after 2013/14; and
- (b) the Society must require additional funding in a future year for child welfare operations in order that they will not incur a deficit. The required amount cannot exceed the total accumulated balanced budget fund surplus.

During 2018, the Society generated a deficiency of \$3,466 that will be recovered (2017 - deficiency of \$1,498) from the Society's Balanced Budget Fund. The deficiency of \$3,466 to be recovered is included in funding receivable at March 31, 2018.

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2018

14. Additional information (continued):

Reconciliation of statement of operations to Ministry Report:

Total Operating Fund revenue	\$ 173,336
Add:	
Change in property tax rebate	6
	<u>173,342</u>
Less:	
Deficit funded by Balanced Budget Fund	3,466
Ministry generic program funding	3,385
Non-Ministry revenue for generic program	538
Non-Ministry revenue for Child Welfare Program	6,488
Amortization of deferred contributions	53
Proceeds from disposition of capital assets	48
	<u>13,978</u>
Total Child Welfare Program funding	<u>\$ 159,364</u>
Total Operating Fund expenses	\$ 169,240
Add:	
Purchase of capital assets, net of proceeds from disposition	5,828
Change in prepaid health benefits and accruals for vacation authorized absence and employee future benefits	966
Accruals over 30 days	680
	<u>7,474</u>
	<u>176,714</u>
Less:	
Ministry generic program expenses	3,922
Funding receivable written off	372
Amortization of capital assets	2,846
Changes in prepaid insurance	257
	<u>7,397</u>
Total Child Welfare Program expenses	<u>\$ 169,317</u>

CHILDREN'S AID SOCIETY OF TORONTO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2018

15. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

The contractual maturities of mortgages payable are disclosed in note 6.

There have been no significant changes to the liquidity risk exposure from 2017.

(b) Interest rate risk:

The Society's mortgages payable have a variable interest rate based on bankers' acceptance rates plus a margin. As a result, the Society is exposed to interest rate risk due to fluctuations in the bankers' acceptance rate. There has been no change to the interest rate risk exposure from 2017.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the funding receivable, accounts receivable and receivable from CAFC.

The Society assesses, on a continuous basis, amounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Society at March 31, 2018 is the carrying value of these assets. Currently there is no allowance for doubtful accounts.

There have been no significant changes to the credit risk exposure from 2017.