

KAWARTHA HALIBURTON CHILDREN'S AID SOCIETY  
FINANCIAL STATEMENTS  
MARCH 31, 2023

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## Independent Auditor's Report

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To the Board of Directors of  
Kawartha-Haliburton Children's Aid Society

### Opinion

We have audited the financial statements of Kawartha-Haliburton Children's Aid Society (the Society), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in fund balances and 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 Society as at March 31, 2023, and its operations and 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 Society 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.

### Emphasis of Matter - Economic Dependence

We draw attention to Note 10 of the financial statements, which describes the Society's economic dependence on the Province of Ontario. Our opinion is not modified in respect of this matter.

### 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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

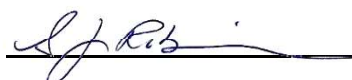
Peterborough, Ontario  
June 20, 2023

# Kawartha-Haliburton Children's Aid Society

## Statement of Financial Position

March 31	General Fund	Capital Fund	Ontario Child Benefit	Total 2023	Total 2022
<b>Assets</b>					
<b>Current</b>					
Cash (Note 5)	\$ 80,670	\$ -	\$ -	\$ 80,670	\$ 1,893,978
Accounts receivable	390,169	-	-	390,169	326,726
Funding receivable	47,352	-	-	47,352	491,962
Prepaid expenditures	89,758	-	-	89,758	75,901
Due from (to) other funds	(331,036)	-	331,036	-	-
	276,913	-	331,036	607,949	2,788,567
<b>Tangible Capital Assets (Note 6)</b>	-	2,296,087	-	2,296,087	2,400,742
	\$ 276,913	\$ 2,296,087	\$ 331,036	\$ 2,904,036	\$ 5,189,309
<b>Liabilities and Funds Balances</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals	\$ 2,034,272	\$ -	\$ -	\$ 2,034,272	\$ 1,569,255
Line of Credit (Note 5)	155,000	-	-	155,000	-
Other liability	65,860	-	84,954	150,814	158,983
Deferred Revenue	81,462	-	-	81,462	36,216
	2,336,594	-	84,954	2,421,548	1,764,454
<b>Post Retirement Benefits (Note 7)</b>	691,200	-	-	691,200	660,700
	3,027,794	-	84,954	3,112,748	2,425,154
<b>Contingent Liabilities (Note 8)</b>					
<b>Commitments (Note 9)</b>					
<b>Fund Balances</b>					
Invested in tangible capital assets	-	2,296,087	-	2,296,087	2,400,742
Externally restricted	-	-	246,082	246,082	268,676
Unrestricted	(2,750,881)			(2,750,881)	94,737
	(2,750,881)	2,296,087	246,082	(208,712)	2,764,155
	\$ 276,913	\$ 2,296,087	\$ 331,036	\$ 2,904,036	\$ 5,189,309

On behalf of the Board:

 Director

 Director

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

# Kawartha-Haliburton Children's Aid Society

## Statement of Operations and Changes in Fund Balances

For the year ended March 31	General Fund	Capital Fund	Ontario Child Benefit	Total 2023	Total 2022
<b>Revenue (Note 10)</b>					
Province of Ontario	\$ 21,730,387	\$ -	\$ -	\$ 21,730,387	\$ 22,071,005
Province of Ontario - one-time	(134,537)			(134,537)	339,000
	21,595,850	-	-	21,595,850	22,410,005
<b>Expenses</b>					
Administration	280,201	-	-	280,201	311,333
Amortization	-	106,235	-	106,235	109,526
Boarding rate payments	6,284,877	-	-	6,284,877	4,653,070
Building occupancy	313,771	-	-	313,771	478,712
Client's personal needs	495,823	-	100,329	596,152	454,177
Employee benefits	3,610,654	-	-	3,610,654	3,371,434
Fees and dues	69,348	-	-	69,348	68,752
Financial assistance	1,204,485	-	-	1,204,485	1,123,287
Interest and bank charges	4,831	-	-	4,831	4,948
Loss (gain) on disposal of capital assets	-	26,366	-	26,366	91,086
Liability insurance	509,074	-	-	509,074	424,467
Medical and related	223,593	-	-	223,593	149,160
Miscellaneous	33,855	-	-	33,855	15,776
Purchased services					
- client related	550,078	-	-	550,078	626,412
- non-client related	218,666	-	-	218,666	429,080
- program expense	95,914	-	-	95,914	99,991
Recruitment and training	18,316	-	-	18,316	11,663
Salaries and wages	11,725,914	-	-	11,725,914	11,067,542
Technology	190,695	-	-	190,695	240,495
Travel	463,852	-	-	463,852	390,470
<b>Gross expenses</b>	<b>26,293,947</b>	<b>132,601</b>	<b>100,329</b>	<b>26,526,877</b>	<b>24,121,381</b>
<b>Expense recoveries and other income (Note 11)</b>	<b>(1,880,425)</b>	<b>-</b>	<b>(77,735)</b>	<b>(1,958,160)</b>	<b>(1,849,901)</b>
<b>Net expenses (revenues)</b>	<b>24,413,522</b>	<b>132,601</b>	<b>22,594</b>	<b>24,568,717</b>	<b>22,271,480</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(2,817,672)</b>	<b>(132,601)</b>	<b>(22,594)</b>	<b>(2,972,867)</b>	<b>138,525</b>
<b>Transfers</b>					
Acquisition of tangible capital assets	(27,946)	27,946	-	-	-
<b>Net change in fund balances</b>	<b>(2,845,618)</b>	<b>(104,655)</b>	<b>(22,594)</b>	<b>(2,972,867)</b>	<b>138,525</b>
<b>Fund balances, opening</b>	<b>94,737</b>	<b>2,400,742</b>	<b>268,676</b>	<b>2,764,155</b>	<b>2,625,630</b>
<b>Fund balances, closing</b>	<b>\$ (2,750,881)</b>	<b>\$ 2,296,087</b>	<b>\$ 246,082</b>	<b>\$ (208,712)</b>	<b>\$ 2,764,155</b>

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

## Kawartha-Haliburton Children's Aid Society

### Statement of Cash Flows

For the year ended March 31	General Fund	Capital Fund	Ontario Child Benefit	Total 2023	Total 2022
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Excess (deficiency) of revenue over expenses	\$ (2,817,672)	\$ (132,601)	\$ (22,594)	\$ (2,972,867)	\$ 138,525
Items not involving cash					
Amortization	-	106,235	-	106,235	109,526
Loss on disposal of capital	-	26,366	-	26,366	91,086
	(2,817,672)	-	(22,594)	(2,840,266)	339,137
<b>Changes in non-cash working capital items</b>					
Accounts receivable	(63,443)	-	-	(63,443)	(49,766)
Funding receivable	444,610	-	-	444,610	1,268,259
Prepaid expenditures	(13,857)	-	-	(13,857)	(21,634)
Accounts payable	465,017	-	-	465,017	321,849
Other liability	3,119	-	(11,288)	(8,169)	(21,328)
Deferred Revenue	45,246	-	-	45,246	(21,161)
Post Retirement Benefits	30,500	-	-	30,500	39,800
Due from (to) other funds	(61,828)	27,946	33,882	-	-
	(1,968,308)	27,946	-	(1,940,362)	1,855,156
<b>Investing activities</b>					
Acquisition of tangible capital assets	-	(27,946)	-	(27,946)	(32,007)
<b>Financing activities</b>					
Net advances (repayments) on line of credit	155,000	-	-	155,000	-
<b>Increase (decrease) in cash during the year</b>	(1,813,308)	-	-	(1,813,308)	1,823,149
<b>Cash - beginning of year</b>	1,893,978	-	-	1,893,978	70,829
<b>Cash - end of year</b>	\$ 80,670	\$ -	\$ -	\$ 80,670	\$ 1,893,978

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

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**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

**March 31, 2023**

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**1. NATURE OF ORGANIZATION**

The Kawartha Haliburton Children's Aid Society (the "Society") is responsible for the care and protection of children in the Cities of Peterborough and Kawartha Lakes and the Counties of Haliburton and Peterborough as mandated by the provisions of The Child Youth and Family Services Act in Ontario.

**2. MANAGEMENT RESPONSIBILITY**

These financial statements of the Society are the responsibility of Society management prepared in accordance with accounting policies and standards established by the Public-Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Presentation**

The financial statements of the Society have been prepared in accordance with Canadian public-sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public-Sector Accounting Board ("PSAB for Government NPOs").

**b) Revenue Recognition**

The Society follows the restricted fund method of accounting for contributions whereby funds that have been externally restricted are segregated into separate funds in the financial statements.

Operating revenue, including grants and subsidies, are recorded as revenue in the period to which they relate. Revenue earned but not received at the end of an accounting period is accrued. Where a portion of revenue relates to a future period, it is deferred and recognized in that future period.

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

**c) Fund Accounting**

The General fund includes general unrestricted revenues used to fund the normal operations and provide care and protection services.

The capital fund reflects the tangible capital assets under use by the Society, and their corresponding financing arrangements.

The Ontario Child Benefit fund includes funding received to provide for certain eligible expenditures. Note 4 provides more detail.



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**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

**March 31, 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES, continued**

**d) Contributed Services**

Volunteers contribute significant hours per year to 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.

**e) Tangible Capital Assets**

Tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line method over the estimated useful lives of the assets as follows:

Buildings and parking lot	15 - 40 years
Furniture and Equipment	10 years
Leasehold improvements	5 years
Computers	3 years

Capital assets less than \$2,000 are expensed in the year of acquisition.

**f) Pension Plan**

The Society is part of a multi-employer defined benefit pension plan which is accounted for using defined contribution accounting. The Society is unable to apply defined benefit plan accounting since the information is controlled by an external source (Note 13). The Society records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

**g) Post-Retirement Benefits**

The Society provides post-retirement medical and dental benefits to its employees who are employed on a full-time basis and recognizes these costs in the periods in which the employee provided services to the Society. The Society has adopted the following policies with respect to accounting for these employee benefits:

- i) The costs of post-retirement benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from the changes in estimate and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight-line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- ii) The discount rate used in the determination of the associated liabilities is equal to the Society's internal rate of borrowing.

**March 31, 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES, continued**

**h) Management Estimates**

The preparation of financial statements in accordance with the Canadian public-sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the useful lives of capital assets and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

**i) Financial Instruments**

The Society classifies its financial instruments as either fair value or amortized cost. The Society's accounting policy for each category is as follows:

**Fair Value**

This category includes cash.

They are initially recognized at cost and subsequently carried at fair value. Changes in fair value on restricted assets are recognized and are recorded to their appropriate fund.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

**Amortized Cost**

This category includes accounts receivable, funding receivable, accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

**March 31, 2023**

**4. ONTARIO CHILD BENEFIT EQUIVALENCY**

Ontario Child Benefit Equivalency (OCBe) funding is received from the Ministry of Children, Community and Social Services (MCCSS) and must be disbursed for the benefit of children in care. As directed by the Ministry, funding is allocated between a Savings Program to provide funds for youth to support their transition to independence as well as an Activity Program available to all children in care to support educational achievement, develop social resiliency and to aid in transitioning youth to adulthood.

Funding is allocated in priority to the Savings Program to ensure the Ministry requirements to provide funds for youth transitioning to independence have been met. Any remaining funds are available for disbursements related to the Activity Program.

**5. CASH**

The Society's bank accounts are held at a Canadian chartered bank. The bank accounts earn interest at a variable rate dependent on the monthly minimum balances.

The Society also has a line of credit with a Canadian chartered bank for a facility to provide funding up to \$1,200,000 at the bank's prime interest rate. The balance outstanding related to this credit facility on March 31, 2023 is \$155,000 (2022 - \$0).

The Society's credit facilities are secured by a first ranking security interest on all property of the Society.

**6. TANGIBLE CAPITAL ASSETS**

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
Land	\$ 634,257	\$ -	\$ 634,257	\$ -
Building and parking lot	3,037,048	1,450,334	2,990,411	1,371,686
Furniture and Equipment	598,310	564,629	958,769	835,942
Leasehold Improvements	94,409	94,409	94,409	94,409
Computers	263,815	222,380	914,074	889,141
	<b>\$ 4,627,839</b>	<b>\$ 2,331,752</b>	<b>\$ 5,591,920</b>	<b>\$ 3,191,178</b>
Net book value		<b>\$ 2,296,087</b>		<b>\$ 2,400,742</b>

**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

**March 31, 2023**

**7. POST-RETIREMENT BENEFITS**

The Society records estimated liabilities for accrued employee benefits in the year they are earned.

The significant actuarial assumptions adopted in estimating the Society's accrued benefit obligation as per the actuarial valuation completed March 31, 2020 are as follows:

Discount rate	3.70% per annum
Average retirement age	61 years
Dental cost escalation	3.00% to 4.75% per annum
Medical cost escalation	3.57% to 5.37% per annum

The post-retirement benefit liability is calculated as follows:

	2023	2022
Accrued benefit liability - beginning of year	\$ 660,700	\$ 620,900
Benefit Expense	65,700	67,400
Funding Contributions	(35,200)	(27,600)
	<hr/>	<hr/>
Accrued benefit liability - end of year	<b>\$ 691,200</b>	<b>\$ 660,700</b>

Benefit expense for the year is calculated as follows:

	2023	2022
Current period benefit cost	\$ 37,700	\$ 39,800
Interest on accrued benefits	25,300	21,800
Amortization of actuarial (gain) loss	2,700	5,800
	<hr/>	<hr/>
	<b>\$ 65,700</b>	<b>\$ 67,400</b>

Post-retirement benefit liability

	2023	2022
Accrued benefit obligation	\$ 637,200	\$ 665,900
Unamortized experience gains	54,000	(5,200)
	<hr/>	<hr/>
	<b>\$ 691,200</b>	<b>\$ 660,700</b>

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**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

**March 31, 2023**

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**8. CONTINGENT LIABILITIES**

The Society, as part of its operations, is subject to claims, lawsuits, and contingencies. The Society records settlements as liabilities in the period they are reasonably determined. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Society does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position. No accruals have been recorded in these financial statements.

The Society receives funding from the Ministry of Children, Community and Social Services (MCCSS). The amount of funding provided to the Society is subject to final review and approval by the Ministry. Any future adjustments required from this review will be accounted for at that time.

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**9. COMMITMENTS**

Under the provisions of the Child Youth and Family Services Act of Ontario, the Society provides financial subsidies to individuals who adopt or assume legal custody of former children who were previously cared for by the Society. The ability of the Society to fulfill these commitments is entirely dependent on the provision of adequate funding from the Ministry of Children, Community and Social Services (MCCSS). Typically, subsidy agreements are renewed on an annual basis. Payment of some subsidy amounts are contingent on future events as the children to whom the subsidy relates develop and mature. The estimated obligation of the Society in the 2024 fiscal year is approximately \$1,027,881 (2023-\$1,033,799).

The Society participates with neighbouring children's aid societies to provide services where staffing and other resources are pooled to obtain access to expertise and to benefit from cost efficiencies. In 2023, the Society incurred \$495,264 toward the operating costs of these programs. The participating societies plan to continue to pool resources for the foreseeable future. Should the pooling arrangement discontinue, the Society would be obliged to provide sufficient notice of its intent to withdraw or contribute to the severance and discontinuance costs of the pooled programs.

The Society leases rental office space in Haliburton, Ontario. The Society is obligated to pay rent of \$1,750 monthly until June 30, 2024.

The Society leases imaging equipment from Xerox Canada. The lease term for each piece of equipment is 60 months and all equipment is returned to the lessor upon expiry of each lease.

The financial commitment of the Society under its lease agreements is as follows:

2024	\$ 23,181
2025	\$ 23,181
2026	\$ 23,181
2027	\$ 23,181
2028	\$ 14,573

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**Kawartha-Haliburton  
Children's Aid Society  
Notes to the Financial Statements**

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**10. ECONOMIC DEPENDENCE**

Under the provisions of The Child Youth and Family Services Act in Ontario, the society is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Children, Community and Social Services (MCCSS). For the year ended March 31, 2023, this provincial funding was 92.9% of total operating revenue and as such the society is economically dependent on the province. As of March 31, 2023, the Society has incurred a significant deficit and working capital deficiency, resulting in the need for further financial support from the province.

The Province of Ontario agreed to provide the Society with one-time accumulated deficit assistance funding of \$339,000 which was included in revenue in 2022. A subsequent deduction due to overpayment of \$135,143 is included in 2023.

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**11. EXPENSE RECOVERIES AND OTHER INCOME**

This amount represents expenses incurred by the Society on behalf of programs which are administered by the Society. These expenditures are recoverable from the various government agencies which fund these programs.

	2023	2022
Family allowance and parental maintenance	\$ 488,048	\$ 523,770
Other Society Wards	339,212	339,961
Other recoveries and income	1,053,165	918,548
Ontario Child Benefit Revenue	77,735	67,622
	<u>\$ 1,958,160</u>	<u>\$ 1,849,901</u>

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**12. REGISTERED EDUCATION SAVINGS PLAN**

Under the direction of the Ministry of Children, Community and Social Services (MCCSS), the Society is obliged to purchase Registered Education Savings Plans (RESP's) using funds excluded from the operating funds of the Society and provided by the Government of Canada as the Universal Child Care Benefit ("UCCB"). The beneficiaries of the RESP's are children in Interim or Extended Society Care meeting eligibility conditions. The Society is obliged to act as "Plan Subscriber" as defined by the Income Tax Act until conditions of permanency have been established. At the end of the fiscal year, the Society has made cumulative contributions of \$1,390,785 (2022 - \$1,305,105) to RESP's. The Society will never become a beneficiary of these plan proceeds and accordingly, they have been excluded from any financial reporting of the Society.

**March 31, 2023**

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**13. PENSION PLAN**

Certain employees of the Society are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. According to the 2022 OMERS Annual Report, OMERS provides pension services to 500,000+ active, inactive, and retired members from approximately 1000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date.

The Actuarial Opinion contained in the December 31, 2022 Annual Report disclosed total actuarial liabilities of \$130.3 billion in respect of benefits accrued for service with actuarial assets of \$123.6 billion indicating an actuarial deficit of \$6.7 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Society does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the Society to OMERS for 2023 were \$2,321,143 (2022 - \$2,204,799).

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**14. FINANCIAL INSTRUMENT CLASSIFICATION**

Under Canadian public-sector accounting standards, financial instruments are required to be categorized into Levels 1 to 3 based on the degree to which the fair value is observable:

- a. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.
- b. Level 2 fair value measurements are those 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
- c. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The Society's financial instruments which would be classified under this requirement consist only of cash which would be categorized as Level 1 as these amounts are stated at their fair value.

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**March 31, 2023**

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**15. FINANCIAL INSTRUMENTS**

**a) Credit Risk**

Credit risk is the risk of financial loss to the Society if a debtor fails to make payments of interest and principal when due. The Society is exposed to this risk relating to its cash and accounts receivable. The Society holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Society's cash accounts are insured up to \$200,000 (2022 - \$200,000).

Accounts receivables are primarily due from other Children's Aid Societies and the Province of Ontario. Credit risk is mitigated by the financial solvency of the provincial government.

The Society measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Society's historical experience regarding collections.

**b) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Society is not exposed to significant currency, equity, or interest risk as it does not transact materially in foreign currency or hold equity financial instruments.

**c) Liquidity risk**

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. The Society mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining an available line of credit if unexpected cash outflows arise. The contractual maturities (representing undiscounted contractual cash-flows of financial liabilities) of these obligations are due within six months.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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