

Financial Statements of

**CHILDREN'S AID SOCIETY
OF ALGOMA**

Year ended March 31, 2011

CHILDREN'S AID SOCIETY OF ALGOMA

Financial Statements

Year ended March 31, 2011

	Page
Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Operations by Program (Unrestricted Funds)	13
Schedule of Child Welfare	14



KPMG LLP
111 Elgin Street at Queen
Suite 200
PO Box 578
Sault Ste Marie ON P6A 5M6

Telephone (705) 949 5811
Fax (705) 949-0911
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members:

We have audited the accompanying financial statements of Children's Aid Society of Algoma, which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets 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 generally accepted accounting principles, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Children's Aid Society of Algoma as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules of Operations by Program (Unrestricted Funds) and Child Welfare is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole

KPMG LLP

Chartered Accountants, Licensed Public Accountants
May 26, 2011
Sault Ste Marie, Canada

CHILDREN'S AID SOCIETY OF ALGOMA

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

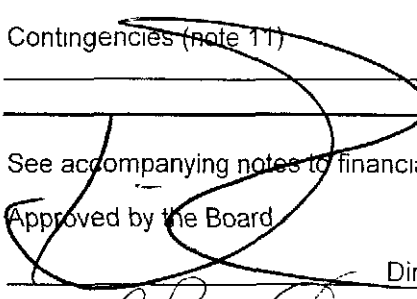
	2011	2010
Assets		
Current assets:		
Cash and term deposits	\$ 776,043	\$ 527,622
Accounts receivable (note 2)	185,767	82,694
Due from Ministry of Community, Family and Children's Services	129,399	29,399
	<u>1,091,209</u>	<u>639,715</u>
Capital assets (note 3)	3,878,653	3,690,897
Restricted:		
Cash held in trust	1,055,680	868,924
	<u>\$ 6,025,542</u>	<u>\$ 5,199,536</u>

Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 2,635,959	\$ 2,324,036
Deferred revenue	10,893	11,057
Current portion of long-term debt (note 7)	96,703	92,136
	<u>2,743,555</u>	<u>2,427,229</u>
Deferred contributions related to capital assets (note 5)	869,523	929,043
Long-term debt (note 7)	1,975,304	2,072,007
Net assets (deficiency):		
Unrestricted	(1,555,644)	(1,695,379)
Investment in capital assets (note 6)	937,124	597,712
Restricted trust funds	1,055,680	868,924
	<u>437,160</u>	<u>(228,743)</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 6,025,542</u>	<u>\$ 5,199,536</u>

See accompanying notes to financial statements.

Approved by the Board


Director

Director

Director

CHILDREN'S AID SOCIETY OF ALGOMA

Statement of Operations

March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Province of Ontario	\$ 21,032,990	\$ 21,601,128
Other	1,206,455	1,468,948
Donations	13,977	12,579
Amortization of deferred contributions related to capital assets	59,520	52,984
	<u>22,312,942</u>	<u>23,135,639</u>
Expenses:		
Salaries	9,693,431	10,270,489
Employee benefits	2,377,998	2,368,682
Boarding rate payments	5,727,266	7,011,552
Building occupancy	328,032	343,711
Clients' personal needs	594,813	758,337
Emergency assistance	—	100
Health services	371,243	412,782
Office	258,948	287,906
Program	129,756	113,859
Promotion and publicity	19,214	10,793
Purchased services – case related	329,325	300,379
Purchased services – non-case related	35,591	67,941
Technology	275,929	322,305
Training and recruiting	117,995	113,529
Transportation	810,683	907,659
Miscellaneous	60,747	63,092
Amortization of capital assets	281,699	208,361
Interest on long-term debt	112,021	112,289
Scholarships	53,462	12,500
	<u>21,578,153</u>	<u>23,686,266</u>
Excess (deficiency) of revenues over expenses before under noted	734,789	(550,627)
Unrealized gain (loss) on interest rate swap agreement	(6,251)	128,808
Prior years' surplus refunded	(62,635)	46,542
Excess (deficiency) of revenues over expenses	<u>\$ 665,903</u>	<u>\$ (375,277)</u>

CHILDREN'S AID SOCIETY OF ALGOMA

Statement of Changes in Net Assets

March 31, 2011, with comparative figures for 2010

				2011	2010
	Unrestricted	Investment in capital assets	Restricted trust funds	Total	Total
Balance, beginning of year	\$ (1,695,379)	\$ 597,712	\$ 868,924	\$ (228,743)	\$ 146,534
Excess (deficiency) of revenue over expenses (notes 6 and 9)	701,326	(222,179)	186,756	665,903	(375,277)
Net change in investment in capital assets (note 6)	(561,591)	561,591	-	-	-
	\$ (1,555,644)	\$ 937,124	\$1,055,680	\$ 437,160	\$ (228,743)

CHILDREN'S AID SOCIETY OF ALGOMA

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ 665,903	\$ (375,277)
Adjustments for		
Amortization of deferred contributions related to capital assets	(59,520)	(52,984)
Amortization of capital assets	281,699	208,361
Unrealized (gain) loss on interest rate swap agreement	6,251	(128,808)
	894,333	(348,708)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(103,073)	15,284
Decrease in due from Ministry of Community, Family and Children's Services	(100,000)	87,997
Increase in accounts payable and accrued liabilities	305,672	74,388
Increase (decrease) in deferred revenue	(164)	524
	996,768	(170,515)
Cash flows from financing and investing activities:		
Purchase of capital assets	(469,455)	(105,800)
Principal payments on long-term debt	(92,136)	(86,604)
Principal payments on obligation under capital lease	-	-
	(561,591)	(192,404)
Increase (decrease) in cash and cash equivalents	435,177	(362,919)
Cash and cash equivalents, beginning of year	1,396,546	1,759,465
Cash and cash equivalents, end of year	\$ 1,831,723	\$ 1,396,546
Cash and cash equivalents are defined as follows:		
Cash and term deposits	\$ 776,043	\$ 527,622
Cash held in trust	1,055,680	868,924
	\$ 1,831,723	\$ 1,396,546

See accompanying notes to financial statements.

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

The Children's Aid Society of Algoma is incorporated without share capital under the Ontario Business Corporations Act. The Society promotes the well-being of children in Algoma in a manner which reflects the community's standards and the intent of the related legislation under the Child and Family Services Act of Ontario. The Society is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Under the Child and Family Services Act of Ontario and regulations thereto, the Society is primarily funded by the Province of Ontario in accordance with budget arrangements established by the Ministry.

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. These financial statements reflect agreed arrangements approved by the Ministry with respect for the year ended March 31, 2011.

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

Revenue is subject to review by the Ministry and adjustments, if any, arising therefrom will be reflected in the period in which such adjustments are so determined.

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

b) Capital assets:

Capital assets are recorded at cost.

Capital assets are amortized on the declining balance or straight line basis using the following annual rates:

Buildings	5%
Computers	30%
Furniture and equipment	20%
Automotive equipment	30%
Leasehold improvements	5 years

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

c) Financial instruments:

Financial instruments, excepting freestanding derivatives, are initially recorded at fair value. Equity investments are thereafter carried at cost. Interest-bearing assets and liabilities are subsequently accounted for at amortized cost using the effective interest method.

When there is a decline in value of a financial asset that is other than a temporary decline, the asset is written down and the loss is recognized in income. The write-down is not reversed if there is a subsequent increase in value.

The Society entered into an interest rate swap agreement in order to reduce the impact of fluctuating interest rates on its mortgage payable. This swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Society records this derivative at fair value with changes in the fair value recorded in operations.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

d) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and valuation of derivative financial instruments. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

e) Employee future benefits:

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Society has insufficient information to apply defined benefit plan accounting.

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

2. Accounts receivable:

	2011	2010
Commodity tax rebate	\$ 68,148	\$ 14,612
Other accounts receivable	117,619	68,082
	<u>\$ 185,767</u>	<u>\$ 82,694</u>

3. Capital assets:

	Cost	Accumulated amortization	2011 Net book value
Land	\$ 703,214	\$ -	\$ 703,214
Buildings	4,531,998	1,743,565	2,788,433
Computer equipment	1,003,372	920,150	83,222
Computer equipment under capital lease	102,483	102,483	-
Furniture and equipment	653,863	495,616	158,247
Automotive equipment	196,593	66,928	129,665
Leasehold improvements	20,703	4,831	15,872
	<u>\$ 7,212,226</u>	<u>\$ 3,333,573</u>	<u>\$ 3,878,653</u>

	Cost	Accumulated amortization	2010 Net book value
Land	\$ 703,214	\$ -	\$ 703,214
Buildings	4,348,293	1,596,806	2,751,487
Computer equipment	933,134	884,484	48,650
Computer equipment under capital lease	102,483	102,483	-
Furniture and equipment	622,891	456,053	166,838
Automotive equipment	166,758	166,063	695
Leasehold improvements	20,703	690	20,013
	<u>\$ 6,897,476</u>	<u>\$ 3,206,579</u>	<u>\$ 3,690,897</u>

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

4. Accounts payable and accrued liabilities:

	2011	2010
Employee related	\$ 1,069,704	\$ 1,147,783
Trade	1,462,087	1,078,336
Fair value of interest rate swap agreement	104,168	97,917
	<u>\$ 2,635,959</u>	<u>\$ 2,324,036</u>

5. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets

	2011	2010
Balance, beginning of year	\$ 929,043	\$ 982,027
Less amounts amortized to revenue	(59,520)	(52,984)
Balance, end of year	<u>\$ 869,523</u>	<u>\$ 929,043</u>

6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows

	2011	2010
Capital assets	\$ 3,878,653	\$ 3,690,897
Amounts financed by		
Deferred contributions related to capital assets	(869,523)	(929,043)
Long-term debt	(2,072,006)	(2,164,142)
	<u>\$ 937,124</u>	<u>\$ 597,712</u>

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

6. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2011	2010
Excess of revenues over expenses		
Amortization of deferred contributions related to capital assets	\$ 59,520	\$ 52,984
Amortization of capital assets	(281,699)	(208,361)
	<u>\$ (222,179)</u>	<u>\$ (155,377)</u>

	2011	2010
Investment in capital assets		
Purchase of capital assets	\$ 469,455	\$ 105,800
Amounts funded by Principal payments on long-term debt	92,136	86,604
	<u>\$ 561,591</u>	<u>\$ 192,404</u>

7. Long-term debt:

	2011	2010
Mortgage payable at \$43,500 quarterly, including interest, maturing September 25, 2025	\$ 1,792,000	\$ 1,875,000
10% Mortgage payable at \$884 monthly, including interest, maturing February 1, 2029	110,428	112,591
5.5% Mortgage payable at 1,376 monthly, Including interest, maturing May 1, 2011	169,579	176,552
	<u>2,072,007</u>	<u>2,164,143</u>
Less current portion	(96,703)	(92,136)
	<u>\$ 1,975,304</u>	<u>\$ 2,072,007</u>

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

7. Long-term debt (continued):

The mortgage payable maturing September 25, 2025 is secured by a first fixed charge on the land, building and improvements to which it relates and a general security agreement in all assets of the Society except other real property. To reduce the interest rate cash flow risk on this mortgage, the Society has entered into an interest rate swap contract that entitles the Society to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 4.45% over the entire term of the mortgage. The net interest receivable or payable under contract is settled quarterly with the counterparty, which is a Canadian chartered bank.

The 10% mortgage is secured by two residences owned by the Society.

Subject to certain restrictions, portions of the principal and the interest are forgiven as follows:

- a) \$14,234 principal over the life of the mortgage as a Federal Capital contribution.
- b) \$198 per month as a Federal Interest Reduction Grant which results in an effective interest rate of 8%.

The 5.5% mortgage is secured by a first fixed charge on the land and building which it relates.

Principal due within each of the next five years on the long-term debt is as follows:

2012	\$ 96,703
2013	101,305
2014	106,974
2015	111,628
2016	118,352

8. Pension plan:

The Society's employees are members of the Ontario Municipal Employees' Retirement System defined benefit pension plan. The contributions during the year were \$729,163 (2010 – \$756,725).

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

9. Trust funds:

The Board of Directors internally restricts resources for scholarship and orphan trust purposes and such trust funds are not available for unrestricted purposes without the approval of the Board. Also included in the trust funds are funds received for the Universal Child Care Benefit.

The activity of the trust fund is as follows:

	2011	2010
Revenue:		
Donations	\$ 13,977	\$ 12,579
Universal Child Care Benefit	69,100	77,300
Ontario Child Benefit	197,354	216,414
Other	70,843	54,711
	<u>351,274</u>	<u>361,004</u>
Expenses:		
Scholarships	16,500	12,500
Ontario Child Benefit Fund programming	111,056	-
Crown wards payouts	36,962	-
Family preservation services	-	32,374
	<u>164,518</u>	<u>44,874</u>
Excess of revenue over expenses	<u>\$ 186,756</u>	<u>\$ 316,130</u>

10. Commitments:

(a) The Society is committed to payments under operating leases for vehicles and computer equipment for the next three years as follows:

2012	\$ 60,401
2013	47,274
2014	8,814

11. Contingencies:

The Society is involved in certain legal matters and litigation, the outcome of which are not presently determinable. Accordingly, no provision has been made for losses, if any, in these financial statements. Should any loss result, such loss will be accounted for in the period in which it is determined. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

CHILDREN'S AID SOCIETY OF ALGOMA

Notes to Financial Statements

Year ended March 31, 2011

12. Financial instruments:

The carrying value of cash and term deposits, accounts receivable, due from Ministry of Community, Family, and Children's Services and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or that they are receivable or payable on demand.

The carrying value of 5.5% mortgage and mortgage payable approximates its fair value given current market rates for similar debt instruments

It is not practicable to determine the fair value of the 10% mortgage payable in view of the forgiveness provisions.

The Society has entered into an interest rate swap to manage the cash flow risk of the mortgage payable. The fair value of the interest rate swap at March 31, 2011 is \$(104,168), (2010 - \$(97,917)).

CHILDREN'S AID SOCIETY OF ALGOMA

Schedule of Operations by Program (Unrestricted Funds)

Year ended March 31, 2011, with comparative figures for 2010

	Child Welfare		Facility Renewal		Other Programs		Preparation for Independence		Total	Total
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue.										
Province of Ontario	\$ 20,624,050	\$ 21,258,628	\$ 96,400	\$ 16,000	\$ -	\$ -	\$ 115,186	\$ 100,086	20,835,636	\$ 21,384,714
Other income	989,887	1,044,154	-	-	76,625	292,783	-	-	1,086,512	1,336,937
	21,613,937	22,312,782	96,400	16,000	76,625	292,783	115,186	100,086	21,902,148	22,721,651
Expenses.										
Salaries	9,595,577	10,003,938	-	-	28,373	186,413	69,481	69,481	9,693,431	10,259,832
Employee benefits	2,360,127	2,340,964	-	-	613	10,460	17,258	17,258	2,377,998	2,366,682
Boarding rate payments	5,727,266	7,011,552	-	-	-	-	-	-	5,727,266	7,011,552
Building occupancy	328,032	317,311	-	16,000	-	-	-	10,400	328,032	343,711
Clients' personal needs	594,813	758,337	-	-	-	-	-	-	594,813	758,337
Emergency assistance	-	100	-	-	-	-	-	-	-	100
Health services	371,243	412,782	-	-	-	-	-	-	371,243	412,782
Office	258,948	284,693	-	-	-	3,213	-	-	258,948	287,906
Program	14,555	20,725	-	-	4,167	71,417	-	-	18,722	92,142
Promotion and publicity	19,214	10,793	-	-	-	-	-	-	19,214	10,793
Purchased services - case related	306,571	300,379	-	-	-	-	22,764	-	329,325	300,379
Purchased services - non-case related	35,559	67,941	-	-	-	-	-	-	35,559	67,941
Replacements	-	-	-	-	-	-	-	-	-	-
Technology	233,380	303,016	-	-	42,549	19,289	-	-	275,929	322,305
Training and recruiting	117,995	111,538	-	-	-	1,991	-	-	117,995	113,529
Transportation	806,313	904,712	-	-	923	-	3,447	2,947	810,663	907,659
Miscellaneous	60,747	63,092	-	-	-	-	-	-	60,747	63,092
Interest on long-term debt	112,021	112,269	-	-	-	-	-	-	112,021	112,289
	20,942,371	23,024,162	-	16,000	76,625	292,783	112,940	100,086	21,131,936	23,433,031
Excess (deficiency) of revenue over expenses	\$ 671,566	\$ (711,380)	\$ 96,400	\$ -	\$ -	\$ -	\$ 2,246	\$ -	\$ 770,212	\$ (711,380)

See accompanying notes to financial statements

CHILDREN'S AID SOCIETY OF ALGOMA

Schedule of Child Welfare

Year ended March 31, 2011, with comparative figures for 2010

	Core and Volume	Transition Funding	Ministry Managed	Total 2011	Total 2010
Revenue					
Ministry funding - Core	\$ 19,117,523	\$ -	\$ -	\$ 19,117,523	\$ 18,727,296
Ministry funding - Transition	-	782,521	-	782,521	460,262
Ministry funding - Volume	-	-	581,317	581,317	581,317
Ministry funding - One time	142,689	-	-	142,689	1,463,089
Ministry funding - OCB administration	-	-	-	-	36,664
Revenue and expenditure recoveries	989,887	-	-	989,887	1,044,154
	20,250,099	782,521	581,317	21,613,937	22,312,782
Expenses					
Salaries and wages	8,371,008	998,547	226,022	9,595,577	10,003,938
Benefits	2,063,391	245,060	51,676	2,360,127	2,340,964
Travel	795,581	10,732	-	806,313	904,712
Training and recruitment	117,995	-	-	117,995	111,538
Building occupancy	328,032	-	-	328,032	317,311
Professional services - non-client	35,569	-	-	35,569	67,941
Interest on long-term debt	112,021	-	-	112,021	112,289
Program expenses	14,555	-	-	14,555	20,725
Boarding rate payments					
Foster care	2,892,322	-	-	2,892,322	3,273,481
Group care	2,628,697	-	-	2,628,697	3,486,463
Other care	206,247	-	-	206,247	251,608
Professional services - client	306,571	-	-	306,571	300,379
Client's personal needs	594,813	-	-	594,813	758,337
Health and related	371,243	-	-	371,243	412,782
Financial assistance	-	-	-	-	100
Promotion and publicity	19,214	-	-	19,214	10,793
Office administration	258,948	-	-	258,948	284,693
Miscellaneous	60,747	-	-	60,747	63,092
Interest	-	-	-	-	-
Technology	-	-	233,380	233,380	303,016
	19,176,954	1,254,339	511,078	20,942,371	23,024,162
Excess (deficiency) of revenue over expenses					
before year end settlements	\$ 1,073,145	\$ (471,818)	\$ 70,239	\$ 671,566	\$ (711,380)

See accompanying notes to financial statements