

**CATHOLIC CHILDREN'S AID SOCIETY
OF HAMILTON
HAMILTON, ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

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HOECHT • GALVIN • KAI
CHARTERED ACCOUNTANTS

Richard A. Hoechl, CA • Timothy M. Galvin, MBA, CMA, CA
E.P. Nolan, CA (1916-1998) • William J. Kai, CA, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Children's Aid Society of Hamilton

We have audited the accompanying financial statements of the Catholic Children's Aid Society of Hamilton (the Society), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management based on the financial reporting provisions as prescribed by an agreement between the Society and the Ontario Ministry of Community and Social Services and the Ontario Ministry of Children and Youth Services (the Ministry).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions as prescribed by an agreement between the Society and the Ministry, 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 the auditors' 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, the auditor considers 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 qualified audit opinion.

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Basis for Qualified Opinion

In common with most charitable organizations, the Society derives a portion of its revenue from the general public in the form of donations and fundraising which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess revenue over expenditures, net assets and fund balances.

Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had donations from the general public and fundraising been susceptible to complete audit verification, as referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2011 and the results of its operations and cash flows for the year then ended, in accordance with the financial reporting provisions as prescribed by an agreement between the Society and the Ministry.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to *Note 2(a)* to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Society to comply with the reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the directors of the Society and the Ministry and should not be used by parties other than the Board of Directors or the Ministry.



HAMILTON, ONTARIO
June 15, 2011

HOECHT GALVIN KAI
Chartered Accountants
Licensed Public Accountants

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Statement of Financial Position
As at March 31, 2011

	General Fund -		Private Funds -		Specified Funds		Capital		2010 Total
	Unrestricted	Unrestricted	Unrestricted	Restricted	- Externally Restricted	Building Fund - Externally Restricted	2011 Total	2010 Total	
ASSETS									
Current									
Cash - unrestricted	\$ 135,331	\$ 260,264	\$ -	\$ -	\$ -	\$ -	\$ 395,595	\$ 448,160	
Cash - restricted	-	17,780	944,251	-	944,251	-	962,031	668,307	
Inter-fund receivables (payables)	(245,912)	(2,444)	(13,650)	-	(13,650)	262,006	-	-	
Accounts receivable	799,645	-	18	-	18	-	799,663	429,149	
Prepaid expenditures	53,335	-	5,097	-	5,097	-	58,432	127,367	
Investments (Note 3)	742,399	275,600	935,716	-	935,716	262,006	2,215,721	1,672,983	
Capital assets (Note 4)	3,488,599	12,020	-	-	-	-	12,020	10,628	
	<u>\$ 4,230,998</u>	<u>\$ 287,620</u>	<u>\$ 935,716</u>	<u>\$ 287,620</u>	<u>\$ 935,716</u>	<u>\$ 262,006</u>	<u>\$ 5,716,340</u>	<u>\$ 3,632,994</u>	
LIABILITIES									
Current									
Accounts payable and accrued liabilities	\$ 2,348,058	\$ 18,890	\$ 158,669	\$ -	\$ 158,669	\$ -	\$ 2,525,617	\$ 2,054,933	
Trust funds payable (Note 5)	-	-	547,688	-	547,688	-	547,688	607,889	
Current portion of long term debt (Note 7)	110,022	-	-	-	-	-	110,022	104,751	
	<u>2,458,080</u>	<u>18,890</u>	<u>706,357</u>	<u>18,890</u>	<u>706,357</u>	<u>-</u>	<u>3,183,327</u>	<u>2,767,573</u>	
Deferred revenue related to capital assets (Note 6)	9,161	-	-	-	-	-	9,161	10,179	
Long term debt (Note 7)	1,842,830	-	-	-	-	-	1,842,830	1,952,852	
	<u>4,310,071</u>	<u>18,890</u>	<u>706,357</u>	<u>18,890</u>	<u>706,357</u>	<u>-</u>	<u>5,035,318</u>	<u>4,730,604</u>	
NET ASSETS									
General Fund - unrestricted	(1,605,659)	-	-	-	-	-	(1,605,659)	(1,661,186)	
Private funds - unrestricted	-	268,730	-	-	-	-	268,730	203,813	
Specified funds - externally restricted (Note 8)	-	-	229,359	-	229,359	-	229,359	216,920	
Capital Building Fund - externally restricted	-	-	-	-	-	262,006	262,006	261,242	
Net assets invested in capital assets - internally restricted (Note 9)	1,526,586	-	-	-	-	-	1,526,586	1,565,212	
	<u>(79,073)</u>	<u>268,730</u>	<u>229,359</u>	<u>268,730</u>	<u>229,359</u>	<u>262,006</u>	<u>681,022</u>	<u>586,001</u>	
	<u>\$ 4,230,998</u>	<u>\$ 287,620</u>	<u>\$ 935,716</u>	<u>\$ 287,620</u>	<u>\$ 935,716</u>	<u>\$ 262,006</u>	<u>\$ 5,716,340</u>	<u>\$ 5,316,605</u>	
Commitments and contingencies (Note 16)									

On Behalf of the Board _____ Director

Director _____

(See Accompanying Notes)

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Statement of Operations
Year Ended March 31, 2011

	General Fund -		Private Funds -		Specified Funds		Capital		2010 Total
	Unrestricted		Unrestricted		- Externally Restricted (Note 8)	Building Fund - Externally Restricted		2011 Total	
Revenue									
Grants - the Ministry	\$ 25,385,189	\$	-	\$	-	\$	-	\$	25,120,043
Donations	-	60,256	-	17,800	-	-	-	78,056	195,845
Events (Note 10)	-	102,441	-	-	-	-	-	102,441	90,282
Interest	-	4,836	-	639	-	764	-	6,239	98
Other non-child welfare grants	606,874	-	-	-	-	-	-	606,874	388,942
Other revenue (Note 11)	<u>1,297,369</u>	<u>115,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,413,109</u>	<u>1,775,082</u>
	<u>27,289,432</u>	<u>283,273</u>	<u>-</u>	<u>18,439</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>27,591,908</u>	<u>27,570,292</u>
Expenditures									
Staff salaries	10,524,933	27,066	-	-	-	-	-	10,551,999	10,837,479
Employee benefits (Note 12)	2,691,026	6,371	-	-	-	-	-	2,697,397	2,681,237
Events (Note 10)	-	37,184	-	-	-	-	-	37,184	39,554
Travel and mileage	706,643	-	-	-	-	-	-	706,643	927,377
Recruitment and training	124,923	-	-	-	-	-	-	124,923	112,710
Building occupancy	858,068	-	-	-	-	-	-	858,068	411,644
Non-client professional fees	258,389	-	-	-	-	-	-	258,389	130,212
Program expenditures	30,506	-	-	-	-	-	-	30,506	15,240
Boarding rate payments	8,553,569	-	-	-	-	-	-	8,553,569	9,185,033
Professional fees - client	410,183	-	-	-	-	-	-	410,183	579,825
Clients' personal needs	777,451	62,306	-	6,000	-	-	-	845,757	695,317
Health and related	572,792	-	-	-	-	-	-	572,792	522,911
Financial assistance	2,956	-	-	-	-	-	-	2,956	17,782
Promotion and publicity	107,096	-	-	-	-	-	-	107,096	61,382
Office administration	181,290	30,373	-	-	-	-	-	211,663	233,398
Miscellaneous	412,553	-	-	-	-	-	-	412,553	250,299
Technology	363,985	-	-	-	-	-	-	363,985	378,925
Other non-child welfare expenditures	<u>606,829</u>	<u>163,300</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,829</u>	<u>388,942</u>
	<u>27,183,192</u>	<u>119,973</u>	<u>-</u>	<u>12,439</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>27,352,492</u>	<u>27,469,267</u>
Excess revenue over expenditures before amortization	106,240	119,973	-	12,439	-	764	-	239,416	101,025
Amortization	<u>144,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,395</u>	<u>152,623</u>
EXCESS (DEFICIENCY OF) REVENUE OVER EXPENDITURES	\$ (38,155)	\$ 119,973	\$ 12,439	\$ 764	\$ 95,021	\$ (51,598)			

(See Accompanying Notes)

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Statement of Changes in Net Assets
Year Ended March 31, 2011

	Net Assets Invested in					Total
	Capital Assets - Internally Restricted	General Fund - Unrestricted	Private Funds - Unrestricted	Specified Funds - Externally Restricted	Capital Building Fund - Externally Restricted	
			<u>2011</u>			
Balance, beginning of year	\$ 1,565,212	\$ (1,661,186)	\$ 203,813	\$ 216,920	\$ 261,242	\$ 586,001
Excess (deficiency of) revenue over expenditures	-	(38,155)	119,973	12,439	764	95,021
Interfund transfers and internal restrictions (Note 13)	-	55,056	(55,056)	-	-	-
Amortization	(144,395)	144,395	-	-	-	-
Deferred revenue related to capital assets	1,018	(1,018)	-	-	-	-
Net decrease in related debt	<u>104,751</u>	<u>(104,751)</u>	-	-	-	-
Balance, end of year	<u>\$ 1,526,586</u>	<u>\$ (1,605,659)</u>	<u>\$ 268,730</u>	<u>\$ 229,359</u>	<u>\$ 262,006</u>	<u>\$ 681,022</u>
			<u>2010</u>			
Balance, beginning of year	\$ 696,281	\$ (1,344,255)	\$ 135,142	\$ 204,223	\$ 946,208	\$ 637,599
Excess (deficiency of) revenue over expenditures	-	(238,929)	62,087	19,281	105,963	(51,598)
Interfund transfers and internal restrictions (Note 13)	-	790,929	6,584	(6,584)	(790,929)	-
Amortization	(152,623)	152,623	-	-	-	-
Deferred revenue related to capital assets	1,131	(1,131)	-	-	-	-
Net decrease in related debt	<u>1,020,423</u>	<u>(1,020,423)</u>	-	-	-	-
Balance, end of year	<u>\$ 1,565,212</u>	<u>\$ (1,661,186)</u>	<u>\$ 203,813</u>	<u>\$ 216,920</u>	<u>\$ 261,242</u>	<u>\$ 586,001</u>

(See Accompanying Notes)

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Statement of Cash Flows
Year Ended March 31, 2011

	General Fund - Unrestricted	Private Funds - Unrestricted	Specified Funds - Externally Restricted	Capital		2011 Total	2010 Total
				Building Fund - Externally Restricted	Restricted		
OPERATING ACTIVITIES							
Excess (deficiency of) revenue over expenditures	\$ (38,155)	\$ 119,973	\$ 12,439	\$ 764	\$	\$ 95,021	\$ (51,598)
Expenditures not requiring a cash outlay							
Amortization	144,395	-	-	-	-	144,395	152,623
Investments - fair value adjustment	-	(1,392)	-	-	-	(1,392)	(1,252)
(Increase) decrease in accounts receivable	106,240	118,581	12,439	764		238,024	99,766
(Increase) decrease in prepaid expenditures	(380,996)	10,500	(18)	-		(370,514)	329,439
Increase (decrease) in accounts payable and accrued liabilities	74,032	-	(5,097)	-		68,935	38,164
Increase (decrease) in deferred revenue	383,593	17,860	69,232	-		470,685	(685,157)
Increase (decrease) in trust funds payable	-	-	-	-		-	(39,653)
	-	-	(60,201)	-		(60,201)	235,853
	76,629	28,360	3,916	-		108,905	(121,354)
	182,869	146,941	16,355	764		346,929	(21,588)
Net cash provided by (used for) operating activities							
FINANCING ACTIVITIES							
Increase (decrease) in deferred revenue related to capital assets	(1,018)	-	-	-		(1,018)	(1,131)
Repayment of long term debt	(104,751)	-	-	-		(104,751)	(1,020,424)
Transfer	55,056	(55,056)	-	-		-	-
Increase (decrease) in inter-fund receivables (payables)	(300,955)	15,517	286,201	(764)		(1)	-
Net cash provided by (used for) financing activities	(351,668)	(39,539)	286,201	(764)		(105,770)	(1,021,555)
Increase (decrease) in cash	(168,799)	107,402	302,556	-		241,159	(1,043,143)
Cash, beginning of year	304,130	170,642	641,695	-		1,116,467	2,159,610
Cash, end of year	\$ 135,331	\$ 278,044	\$ 944,251	\$	\$	\$ 1,357,626	\$ 1,116,467
Cash Represented By:							
Cash - Unrestricted	\$ 135,331	\$ 260,264	\$	\$	\$	\$ 395,595	\$ 448,160
Cash - restricted	-	17,780	944,251	-		962,031	668,307
	\$ 135,331	\$ 278,044	\$ 944,251	\$	\$	\$ 1,357,626	\$ 1,116,467

(See Accompanying Notes)

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

1. OPERATIONS

The Catholic Children's Aid Society of Hamilton (the Society) is a non-share capital corporation, incorporated under the laws of the province of Ontario. The purpose of the organization is to protect children and to promote their best interests and well being within the City of Hamilton. As a result of its charitable status, the organization is exempt from the payment of income taxes under one or more provisions of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements are the representation of management prepared in accordance with accounting policies prescribed by the Ontario Ministry of Community and Social Services and the Ontario Ministry of Children and Youth Services (the Ministry). Readers should be cautioned that these financial statements are therefore not in accordance with Canadian generally accepted accounting principles. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

Capital Assets

The Child Welfare Funding model utilized by the Ministry in providing funds to the Society, provides for the funding of capital expenditures, with the exception of land and building. Capital expenditures are recorded as General Fund expenditures in the year incurred.

(b) Fund Accounting

The Society follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Private Funds report unrestricted resources that are donated and are to be used for the Society's program delivery and administrative activities not covered by the Ministry funding.

The Specified Funds report restricted resources that are either donated by individuals or contributed by the Ministry and are to be used for the specified programs and trusts.

The Capital Building Fund reports the assets, liabilities, revenue and expenditures related to the building expansion campaign.

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as designated by the Society. Unrestricted and restricted cash and investments are classified as held for trading and stated at fair value with unrealized gains and losses included in the statement of operations. Accounts receivable and inter-fund receivables (payables) are classified as loans and receivables, which are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, trust funds payable and long term debt are classified as other financial liabilities, which are also measured at amortized cost using the effective interest method.

Transaction costs are expensed as incurred.

The organization has chosen to continue to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

(d) Restricted Cash and Liabilities

Restricted cash and investments are designed for restricted purposes by independent funders, by regulation, or by resolution of the Board of Directors. The restricted liabilities represent the unexpended fund balance.

(e) Investments

Long term investments are classified as held for trading and are recorded at fair value. Fair values are estimated using quoted market prices. Using the held for trading method, investment revenue includes unrealized gains and losses.

(f) Capital Assets

Capital assets purchased prior to 1999 and purchases of land and building, as stated in *Note 2(a)*, are capitalized and amortized on the diminishing balance basis over the estimated useful life of the assets using rates as indicated. Capitalized assets acquired during the year are amortized at one-half of the indicated rate. Building renovations are not amortized until the renovated areas are fully operational.

Fence	-	10%
Building	-	5%
Building renovations	-	5%
Office equipment	-	20%
Computer equipment	-	30%
Vehicle	-	30%

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Donated Capital Assets and Materials

Donated capital assets and materials that exceed the fair market value of \$10,000 are recorded at the fair value at the date of the donation when the value can be reasonably determined.

(h) Donated Services

Although the Society has an active volunteer base that provides support to the Society through various activities, the value of these volunteer services is not provided for in these financial statements due to the difficulty in compiling these hours and determining their fair value.

(i) Allocation of Expenditures

The Society records its expenditures by program.

The excess of unrestricted donation, promotion and fundraising revenue over expenditures is allocated to each program on the basis of offsetting any deficit in Ministry funded programs.

(j) Revenue Recognition

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

Contributions to the General Fund, which are externally restricted for expenditures to be made in a future period, are deferred and recognized as revenue in the year in which the related expenditure is recognized. Externally restricted contributions for capital assets are deferred and amortized over the life of the related capital asset (*Note 2(f)*). Externally restricted contributions representing prior year funding adjustments, are treated as revenue in the current year. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Investment revenue is recognized when earned.

(k) Employee Benefit Plan

The employees of the Society are members of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer pension plan. Defined contribution accounting is applied for the pension plan, whereby contributions are expensed when due, as the Society has insufficient information to apply defined benefit plan accounting.

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Use of Estimates

The preparation of 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 date of the financial statements and revenue and expenditures during the period reported. These estimates are reviewed periodically and as adjustments become necessary, are reported in the period in which they become known. Significant areas requiring the use of management estimates include amortization, impairment assessments and contingencies.

(m) Future Accounting Standards

The Accounting Standards Board (AcSB) has finalized the accounting standards for not for profit organizations in the private sector. These standards are now found in Part III of the CICA Handbook - Accounting Standards for Not for Profit Organizations. Not for profit organizations are required to adopt either Part III or International Financial Reporting Standards for fiscal years beginning on or after January 1, 2012. The current standards applicable to not for profit organizations will remain in effect until organizations have adopted the new standards.

3. INVESTMENTS

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Canadian equities	<u>\$ 12,020</u>	<u>\$ 19,982</u>	<u>\$ 10,628</u>	<u>\$ 19,982</u>

4. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net	Net
Land	\$ 789,856	\$ -	\$ 789,856	\$ 789,856
Fence	18,154	8,989	9,165	10,184
Building	3,024,547	1,611,837	1,412,710	1,487,063
Building renovations	1,600,302	331,147	1,269,155	1,335,952
Office equipment	278,479	272,438	6,041	7,551
Computer equipment	150,819	149,952	867	1,238
Vehicle	21,788	20,983	805	1,150
	<u>\$ 5,883,945</u>	<u>\$ 2,395,346</u>	<u>\$ 3,488,599</u>	<u>\$ 3,632,994</u>

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

5. TRUST FUNDS PAYABLE

Trust funds payable represents monies held in trust for specific wards of the Society.

	CSA Education Fund	RESP Fund	OCBe Fund	Sub-total
Balance, beginning of year	\$ 57,814	\$ 264,353	\$ 284,896	\$ 607,063
Contributions	73,600	-	306,636	380,236
Interest	543	-	832	1,375
Transfers	(83,676)	83,676	-	-
Disbursement of funds	-	-	(441,817)	(441,817)
Balance, end of year	<u>\$ 48,281</u>	<u>\$ 348,029</u>	<u>\$ 150,547</u>	<u>\$ 546,857</u>

	Subtotal Carried Forward	Other Trust Funds	Total 2011	Total 2010
Balance, beginning of year	\$ 607,063	\$ 826	\$ 607,889	\$ 372,036
Contributions	380,236	-	380,236	384,290
Interest	1,375	5	1,380	57
Disbursement of funds	(441,817)	-	(441,817)	(148,494)
Balance, end of year	<u>\$ 546,857</u>	<u>\$ 831</u>	<u>\$ 547,688</u>	<u>\$ 607,889</u>

6. DEFERRED REVENUE

Deferred revenue consists of the unexpended portion of grants received for specific programs as well as fundraising revenue received for events which are to occur in the coming year.

Deferred revenue related to capital assets represents funding for the acquisition of capital assets which will be recognized as revenue in accordance with *Note 2(j)*). The revenue recognized in the current year is included in miscellaneous revenue.

	<u>2011</u>	<u>2010</u>
Current Portion of Deferred Revenue		
Balance, beginning of year	\$ -	\$ 39,653
Net increase (decrease)	-	(39,653)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>
Deferred Revenue Related to Capital Assets		
Balance, beginning of year	\$ 10,179	\$ 11,309
Amortized to current revenue	(1,018)	(1,130)
Balance, end of year	<u>\$ 9,161</u>	<u>\$ 10,179</u>

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

7. LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
Loan payable, bears interest at a fixed rate of 4.92% for the first 10 years at which time the fixed rate will be set at the borrowing rate for the City of Hamilton for a 10 year serial debenture (weighted average), in effect on February 11, 2014. The loan is repayable in blended monthly installments of \$16,970, maturing in March 2024.	\$ 1,952,852	\$ 2,057,603
Principal payments due within one year	<u>110,022</u>	<u>104,751</u>
	<u>\$ 1,842,830</u>	<u>\$ 1,952,852</u>

The loan payable relates to the purchase and renovation of the building. The loan payable is secured by a first fixed charge of \$2,588,733 on the property.

Estimated principal amounts due within the next five years are as follows:

2012	-	\$ 110,022
2013	-	\$ 115,559
2014	-	\$ 121,374
2015	-	\$ 127,483
2016	-	\$ 133,898

Interest in the amount of \$97,804 (2010 - \$103,503) was paid during the year and has been included in building occupancy expenditure.

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

8. SPECIFIED FUNDS

Specified funds are externally restricted by the donors of the respective funds.

	Ross Barlow Camp Fund	Bursary/ Youth Opportunities Fund	Christmas Fund	Subtotal
Balance, beginning of year	\$ 68,172	\$ 59,815	\$ 54,025	\$ 182,012
Donations	11,440	2,780	2,119	16,339
Interest	192	201	141	534
Disbursement of funds	-	(6,000)	-	(6,000)
Balance, end of year	<u>\$ 79,804</u>	<u>\$ 56,796</u>	<u>\$ 56,285</u>	<u>\$ 192,885</u>

	Subtotal Carried Forward	ECM Fund	Computer Fund	Total 2011	Total 2010
Balance, beginning of year	\$ 182,012	\$ 9,659	\$ 25,249	\$ 216,920	\$ 204,223
Donations	16,339	1,461	-	17,800	19,213
Interest	534	25	80	639	68
Disbursement of funds	(6,000)	-	-	(6,000)	-
Transfer - other specified fund	-	-	-	-	(6,584)
Balance, end of year	<u>\$ 192,885</u>	<u>\$ 11,145</u>	<u>\$ 25,329</u>	<u>\$ 229,359</u>	<u>\$ 216,920</u>

9. NET ASSETS INVESTED IN CAPITAL ASSETS - INTERNALLY RESTRICTED

	<u>2011</u>	<u>2010</u>
Net book value of capital assets	\$ 3,488,599	\$ 3,632,994
Deferred revenue related to capital assets	(9,161)	(10,179)
Long term debt related to capital assets	<u>(1,952,852)</u>	<u>(2,057,603)</u>
Net assets invested in capital assets - internally restricted	<u>\$ 1,526,586</u>	<u>\$ 1,565,212</u>

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

10. EVENTS

	<u>2011</u>					<u>2010</u>
	<u>Auction</u>	<u>Bingo</u>	<u>Golf Tournament</u>	<u>Mile of Loonies</u>	<u>Net</u>	<u>Net</u>
Revenue	\$ 45,904	\$ 12,192	\$ 38,180	\$ 6,165	\$ 102,441	\$ 90,282
Expenditures	<u>24,581</u>	<u>-</u>	<u>12,603</u>	<u>-</u>	<u>37,184</u>	<u>39,554</u>
	<u>\$ 21,323</u>	<u>\$ 12,192</u>	<u>\$ 25,577</u>	<u>\$ 6,165</u>	<u>\$ 65,257</u>	<u>\$ 50,728</u>

11. OTHER REVENUE

	<u>2011</u>	<u>2010</u>
General Fund		
Children's special allowances	\$ 915,411	\$ 979,237
Expenditure recovery	140,109	660,605
Miscellaneous	172,377	65,297
Other Children's Aid Societies	<u>69,472</u>	<u>69,943</u>
	<u>\$ 1,297,369</u>	<u>\$ 1,775,082</u>

Other revenue in private funds consist of expenditure recoveries of provincial sales tax rebates on the construction of building renovations and the printing costs of newsletters.

12. PENSION AGREEMENT

The Society makes contributions to OMERS on behalf of approximately 180 employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of credited service and average earnings.

Contributions were made in the 2011 fiscal year at rates ranging from 7.4% to 10.6% (2010 - 6.4% to 9.7%) depending on each member's designated retirement age and the level of earnings. As a result, \$774,188 (2010 - \$730,491) was contributed to OMERS for current service, which is included under employee benefits expenditure on the statement of operations.

13. INTERFUND TRANSFERS AND INTERNAL RESTRICTIONS

An amount of \$55,056 was transferred in the current year from the General Fund to the Private Fund for recovery of accruals related to the building renovations which was largely funded by private funds. In 2010, amounts of \$6,584, and \$790,929 were transferred respectively from Specified Funds to Private Funds and from the Capital Building Fund to the General Fund in order to fund disbursements for the use of client personal needs and for repayment of the loan for building renovations. The Board of Directors has also internally restricted net assets invested in capital assets of \$1,526,586 (2010 - \$1,565,212). These internally restricted amounts are not available for any other purpose without approval of the Board of Directors.

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

14. RELATED PARTY TRANSACTIONS

The Society is related to the Community Child Abuse Council (the Council) in that it performs accounting and payroll functions on behalf of the Council, which is integral to achieving its objectives. Additionally, the Director of Social Services for the Society is also the past Chairman of the Council with signing authority.

Some operating expenditures relating to the Council are paid on behalf of the Council by the Society. These operating expenditures are then reimbursed by the Council. Included in accounts receivable is \$71,042 (2010 - \$64,357) receivable from the Council. These transactions are in the normal course of operations and are measured at the exchange amount, the amount of consideration established and agreed to by the related parties.

15. CREDIT FACILITIES AGREEMENT

The Society has a non-revolving demand credit line with a \$750,000 limit of which \$750,000 (2010 - \$750,000) was unused at year end. Interest is calculated at a fixed rate of 5.89% per annum and is due on demand. The security for this operating line includes a general security agreement on all present and future assets of the Society.

16. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

The aggregate minimum future annual lease payments required under long-term agreements for lease of computers, photocopiers and other office equipment are as follows:

2012	-	\$76,613
2013	-	\$23,413
2014	-	\$10,034

(b) Contractual Obligations

During the fiscal year, the Society entered into a contract for replacement of part of the air conditioning system for which completion is expected to occur within the first quarter of the next fiscal year.

(c) Litigation and Claims

In the normal course of its operations, the Society becomes involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur.

Management is of the opinion that the outcome of litigation now pending is not determinable. Should any loss, over and above existing insurance become likely, this amount will be recognized as an expenditure in the period the amount becomes determinable.

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Notes to Financial Statements
Year Ended March 31, 2011

17. CAPITAL DISCLOSURES

The Society defines capital as the sum of the General Fund, Private Funds, Specified Funds, Capital Building Fund, net assets invested in capital assets - internally restricted and long term debt. The Society's objectives when managing capital are to hold sufficient unrestricted net assets in order to maintain its ability to continue as a going concern.

The Society manages its capital by preparing and monitoring its annual budget to maintain a satisfactory level of capital.

The Society manages several grants and donations with external restrictions that specify the conditions for using these financial resources. The Society has complied with the requirements respecting these restricted contributions.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICIES

The Society is exposed to various risks through its financial instruments as follows:

(a) Fair Value

For cash (restricted and unrestricted), accounts receivable, accounts payable and accrued liabilities and trust funds payable, the carrying amounts of these financial instruments approximate their fair value due to their short term to maturity or capacity for prompt liquidation.

The fair value of investments is as indicated in *Note 3*.

For long term debt the fair value approximates the carrying value.

(b) Credit Risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Society determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

(c) Interest Rate Risk

The Society is exposed to interest rate risk on its fixed rate financial instruments. At March 31, 2011 the Society had a fixed interest rate mortgage as described in *Note 7*. Fixed rate instruments subject the organization to a fair value risk. Fluctuations in interest rates will impact the cost of financing incurred currently and in the future.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant currency or credit risks arising from these financial instruments.

19. COMPARATIVE FIGURES

Comparative figures have been restated to conform with the current year's presentation.

HOECHT • GALVIN • KAI
CHARTERED ACCOUNTANTS

Richard A. Hoecht, CA • Timothy M. Galvin, MBA, CMA, CA
E.P. Nolan, CA (1916-1998) • William J. Kai, CA, CPA

AUDITORS' REPORT ON ADDITIONAL FINANCIAL INFORMATION

To the Board of Directors of the
Catholic Children's Aid Society of Hamilton

The audited financial statements of the Catholic Children's Aid Society of Hamilton (the Society) and our report thereon are presented in the preceding section of this report. The following information is presented for purposes of additional analysis and is not required for a fair presentation of the financial position or results of operations of the Society. Such information has been subjected to the auditing procedures applied in our examination 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.

Hoecht Galvin Kai

HAMILTON, ONTARIO
June 15, 2011

HOECHT GALVIN KAI
Chartered Accountants
Licensed Public Accountants

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Schedule of Revenue and Expenditures by Program
Year Ended March 31, 2011

	A555/556					Sub-
	Preparation for Independence	A444 Broader Public Sector	A771 Community Capacity	Homelessness Partnership Initiative	A337 Repairs and Maintenance	Total
REVENUE						
Government subsidies	\$ 74,942	\$ 27,245	\$ 6,000	\$ -	\$ 155,000	\$ 263,187
Other	<u>74,942</u>	<u>27,245</u>	<u>6,000</u>	<u>160,867</u>	<u>155,000</u>	<u>160,867</u>
						<u>424,054</u>
EXPENDITURES						
Staff salaries	55,423	27,245	-	55,251	-	137,919
Employee benefits	10,082	-	-	7,333	-	17,415
Travel and mileage	1,212	-	-	1,434	-	2,646
Recruitment and training	1,196	-	-	-	-	1,196
Building occupancy	-	-	-	-	155,000	155,000
Non-client professional fees	-	-	-	41,284	-	41,284
Program expenditures	7,029	-	-	-	-	7,029
Professional fees - client	-	-	5,955	-	-	5,955
Clients' personal needs	-	-	-	51,901	-	51,901
Promotion and publicity	-	-	-	1,870	-	1,870
Technology	-	-	-	1,794	-	1,794
	<u>74,942</u>	<u>27,245</u>	<u>5,955</u>	<u>160,867</u>	<u>155,000</u>	<u>424,009</u>
EXCESS REVENUE OVER EXPENDITURES	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ 45

CATHOLIC CHILDREN'S AID SOCIETY OF HAMILTON
Schedule of Revenue and Expenditures by Program (Continued)
Year Ended March 31, 2011

	Sub-Total	Eliminating Barriers and Building on Successes Initiative	French Language Services	Child Welfare	Private, Capital and Specified Funds	Total 2011
REVENUE						
Government subsidies	\$ 263,187	\$ 159,320	\$ 23,500	\$ 25,385,189	\$ -	\$ 25,831,196
Other	160,867	-	-	1,297,369	224,420	1,682,656
Donations	-	-	-	-	78,056	78,056
	<u>424,054</u>	<u>159,320</u>	<u>23,500</u>	<u>26,682,558</u>	<u>302,476</u>	<u>27,591,908</u>
EXPENDITURES						
Staff salaries	137,919	49,426	-	10,524,933	27,066	10,739,344
Employee benefits	17,415	11,704	-	2,691,026	6,371	2,726,516
Events	-	-	-	-	37,184	37,184
Travel and mileage	2,646	-	-	706,643	-	709,289
Recruitment and training	1,196	-	-	124,923	-	126,119
Building occupancy	155,000	-	-	858,068	-	1,013,068
Non-client professional fees	41,284	97,358	23,332	258,389	-	420,363
Program expenditures	7,029	-	-	30,506	-	37,535
Boarding rate payments - <i>inc. adoption program costs</i>	-	-	-	8,553,569	-	8,553,569
Professional fees - <i>client-inc. witness fees</i>	5,955	-	-	410,183	-	416,138
Clients' personal needs - <i>inc. adop. subsidy & admission prevention</i>	51,901	-	-	777,451	68,306	897,658
Health and related	-	-	-	572,792	-	572,792
Financial assistance	-	-	-	2,956	-	2,956
Promotion and publicity	1,870	832	168	107,096	-	109,966
Office administration	-	-	-	181,290	30,373	211,663
Miscellaneous	-	-	-	412,553	-	412,553
Technology	1,794	-	-	363,985	-	365,779
	<u>424,009</u>	<u>159,320</u>	<u>23,500</u>	<u>26,576,363</u>	<u>169,300</u>	<u>27,352,492</u>
EXCESS REVENUE OVER EXPENDITURES	\$ <u>45</u>	\$ -	\$ -	\$ <u>106,195</u>	\$ <u>133,176</u>	\$ <u>239,416</u>

HOECHT • GALVIN • KAI
CHARTERED ACCOUNTANTS

Richard A. Hoecht, CA • Timothy M. Galvin, MBA, CMA, CA
EP. Nolan, CA (1916-1998) • William J. Kai, CA, CPA

June 8, 2011

Board of Directors
Catholic Children's Aid Society of Hamilton
735 King Street East, Suite 1
Hamilton, Ontario L8M 1A1

Dear Members of the Board:

**Re: Catholic Children's Aid Society of Hamilton
Year Ended March 31, 2011**

We have recently completed our audit of the Catholic Children's Aid Society of Hamilton for the fiscal year ended March 31, 2011.

The objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement. Our audit was not designed for the purpose of identifying matters to communicate. Accordingly, our audit would not usually identify all such matters that may be of interest to you and it is inappropriate to conclude that no such matters exist.

During the course of our audit we did not identify any weaknesses in internal control that in our opinion are material. A material weakness in internal control is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.

We note that it was apparent during our audit that there were continuous efforts made by management to improve the financial reporting process and ensure that appropriate controls were implemented, where necessary.

We would like to make the following comments for your consideration:

Internal Controls

We note that in accordance with the prior year management letter recommendation regarding documenting relevant internal controls, it was apparent that there has been significant efforts made by management to improve the financial reporting process and ensure that appropriate controls are documented. While we did satisfy ourselves as to the existence of the internal controls through observation and enquiry of staff during the course of the audit, we did note that there are a few areas where undocumented controls are still present such as in the donation recording process. This has been discussed with management and it has now been satisfactorily addressed.

.....continued page 2

Passwords

We were pleased to note that our prior year recommendation regarding employee passwords to access the operating network has been implemented. When outside of the office, employee are now required to use a two factor authentication to connect to the operating network which requires a pin, password and token. When inside the office, a single password is used. This is currently being addressed by management.

This communication is prepared solely for your information and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We appreciate the cooperation given to us during the audit of the Catholic Children's Aid Society of Hamilton.

Please do not hesitate to contact us if you have any questions regarding this correspondence.

Yours very truly

HOECHT GALVIN KAI

Timothy M. Galvin, MBA CMA CA
Licensed Public Accountant

/lh