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**Native Child and Family  
Services of Toronto  
Annual Financial Statements**

March 31, 2011

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**Millard, DesLauriers & Shoemaker LLP**

**Chartered Accountants**

A member of IAPA•BHD Association with affiliated offices across  
Canada and internationally

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# Native Child and Family Services of Toronto

## Financial Information

March 31, 2011

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# Millard, DesLauriers & Shoemaker LLP

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Chartered Accountants, Licensed Public Accountants

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156 Front Street West  
Suite 301  
Toronto, Ontario  
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## Independent Auditors' Report

Tel : (416) 599-7255  
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To the Board of Directors of  
Native Child and Family Services of Toronto

We have audited the accompanying financial statements of Native Child and Family Services of Toronto, which comprise the statement of financial position as at March 31, 2011 and the statements of unexpended and reserve funds, changes in net assets, operations and cash flows for the year then ended, and 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.

### *Auditor's 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 auditor's judgement, 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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# Millard, DesLauriers & Shoemaker LLP

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Chartered Accountants, Licensed Public Accountants

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*Basis for Qualified Opinion*

In common with many not for profit organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and unexpended funds.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Native Child and Family Services of Toronto as at March 31, 2011, and its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Millard, DesLauriers & Shoemaker LLP*

Toronto, Canada  
June 21, 2011

Chartered Accountants, Licensed Public Accountants

# Native Child and Family Services of Toronto

## Statement of Financial Position

As at March 31 2011 2010

**Assets**

**Current**

Accounts receivable	\$ 1,894,613	\$ 1,491,603
Prepaid expenses	243,180	219,724
	2,137,793	1,711,327

Property and equipment (Note 5)	20,794,160	18,752,053
	\$ 22,931,953	\$ 20,463,380

**Liabilities**

**Current**

Bank overdraft	\$ 70,109	\$ 382,736
Accounts payable and accrued liabilities	3,799,760	2,923,787
Deferred revenue	85,009	150,362
Bank debt (Note 6)	9,322,000	9,771,000
	13,276,878	13,227,885

Deferred capital contributions (Note 7)	10,067,493	7,625,129
	23,344,371	20,853,014

Unexpended funds (deficit) (Page 4)	(1,162,531)	(1,139,747)
Reserve funds (Page 4)	750,113	750,113
	(412,418)	(389,634)
	\$ 22,931,953	\$ 20,463,380

Approved on behalf of the Board:

 <hr style="width: 100%;"/>	Director
 <hr style="width: 100%;"/>	Director

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# Native Child and Family Services of Toronto

## Statement of Unexpended and Reserve Funds

For the Year Ended March 31

2011

2010

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### Unexpended funds (deficit)

Unexpended funds (deficit) - beginning of the year	\$ (1,139,747)	\$ (460,132)
Excess (deficiency) of revenue over expenses for the year	<u>(22,784)</u>	<u>(679,615)</u>
Unexpended funds (deficit) - end of year	<u>\$ (1,162,531)</u>	<u>\$ (1,139,747)</u>

### Reserve fund (Note 6)

Infrastructure and Capacity reserve - beginning of the year	\$ 750,113	\$ 750,113
Add: Transfer from operations	<u>-</u>	<u>-</u>
Infrastructure and Capacity reserve - end of the year	<u>\$ 750,113</u>	<u>\$ 750,113</u>

# Native Child and Family Services of Toronto

## Statement of Changes in Net Assets

For the Year Ended March 31

	2011			
	<u>Invested in</u>	<u>Operating</u>	<u>Unexpended</u>	<u>Reserve</u>
	<u>Property and</u>	<u>Fund</u>	<u>Funds Total</u>	<u>Fund</u>
	<u>Equipment</u>	<u></u>	<u></u>	<u>Total</u>
Balance, beginning of year	\$ 1,366,416	\$ (2,506,163)	\$ (1,139,747)	\$ 750,113
Excess (deficiency) of revenue over expenses	(664,800)	642,016	(22,784)	-
Invested in property and equipment	870,282	(870,282)	-	-
Balance, end of year	<u>\$ 1,571,898</u>	<u>\$ (2,734,429)</u>	<u>\$ (1,162,531)</u>	<u>\$ 750,113</u>
				<u>\$ (412,418)</u>

	2010			
	<u>Invested in</u>	<u>Operating</u>	<u>Unexpended</u>	<u>Reserve</u>
	<u>Property and</u>	<u>Fund</u>	<u>Funds Total</u>	<u>Fund</u>
	<u>Equipment</u>	<u></u>	<u></u>	<u>Total</u>
Balance, beginning of year	\$ 1,254,347	\$ (1,714,479)	\$ (460,132)	\$ 750,113
Deficiency of revenue over expenses	(629,398)	(50,217)	(679,615)	-
Invested in property and equipment	741,467	(741,467)	-	-
Balance, end of year	<u>\$ 1,366,416</u>	<u>\$ (2,506,163)</u>	<u>\$ (1,139,747)</u>	<u>\$ 750,113</u>
				<u>\$ (389,634)</u>

# Native Child and Family Services of Toronto

## Statement of Operations

For the Year Ended March 31

2011

2010

<b>Revenue</b>		
Ministry of Children and Youth Services	\$ 19,580,251	\$ 18,173,226
City of Toronto	1,826,792	1,358,119
Health Canada	1,594,148	1,468,648
Aboriginal Healing and Wellness Strategy	668,297	663,950
Children's special allowance	643,419	588,334
United Way of Greater Toronto	463,362	552,036
Other	311,468	366,777
Miziwe Biik	301,176	382,785
Aboriginal Labour Force Developement Circle	222,125	377,297
Urban Aboriginal Strategy	165,963	123,865
Ministry of Aboriginal Affairs	96,400	70,000
Customary care recoveries	60,112	60,112
Ministry of Health Promotions	44,196	18,490
Ontario Ministry of the Attorney General	43,513	46,419
Donations	41,287	53,810
Service Canada	31,022	32,365
Metis Nation of Ontario	14,334	14,994
Toronto Star Fresh Air Fund	9,000	13,000
Ministry of Citizenship and Immigration	8,439	5,214
Amortization of deferred capital contributions	454,136	369,213
	<b>26,579,440</b>	<b>24,738,654</b>
<b>Expenses</b>		
Salaries and benefits	13,146,992	12,365,734
Client personal needs	9,100,648	8,865,674
Occupancy	923,998	814,786
Programs	806,923	783,061
Professional services	402,054	619,257
Office, administration and general	396,581	326,563
Travel	382,393	305,593
Insurance	178,681	172,219
Training	145,018	166,772
Amortization	1,118,936	998,611
	<b>26,602,224</b>	<b>25,418,270</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (22,784)</b>	<b>\$ (679,616)</b>



# Native Child and Family Services of Toronto

## Statement of Cash Flows

For the Year Ended March 31	2011	2010
<b>Cash flows from (for) operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ (22,784)	\$ (679,616)
Items not requiring an outlay of cash		
Amortization	1,118,936	998,611
Amortization of deferred capital contributions	<u>(454,136)</u>	<u>(369,213)</u>
	<u>642,016</u>	<u>(50,218)</u>
<b>Changes in non-cash working capital balances related to operations:</b>		
Accounts receivable	(403,010)	(195,964)
Prepaid expenses	(23,456)	3,629
Accounts payable and accrued liabilities	875,973	(766,851)
Deferred revenue	<u>(65,353)</u>	<u>(52,554)</u>
	<u>1,026,170</u>	<u>(1,061,958)</u>
<b>Cash flow for investing activity</b>		
Property and equipment additions (net)	<u>(3,161,043)</u>	<u>(2,535,975)</u>
<b>Cash flows from (for) financing activities</b>		
Bank overdraft	(312,627)	382,736
Bank debt	(449,000)	(241,134)
Deferred capital contributions	<u>2,896,500</u>	<u>1,168,136</u>
	<u>2,134,873</u>	<u>1,309,738</u>
Decrease in cash for the year	-	(2,288,195)
Cash, beginning of the year	-	2,288,195
Cash, end of the year	<u>\$ -</u>	<u>\$ -</u>
<b>Supplementary Information</b>		
Interest paid	<u>\$ 317,041</u>	<u>\$ 361,357</u>

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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 1. The Organization

Native Child and Family Services of Toronto (the "Organization") is a non-profit corporation without share capital incorporated under the laws of the Province of Ontario. The Organization has Children's Aid Status and its charitable number is 131621765.

The Organization was founded to provide for a life of quality, well-being, caring and healing for children and families in the Toronto Native community. It does this by creating a service model that is culturally-based respecting the values of Native people, the extended family, and the right to self determination.

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### 2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

#### (a) Fund Description

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

The Reserve Fund reports only restricted resources that are to be used to fund future infrastructure and capacity needs of the Organization.

In fiscal 2006, the Board of Directors authorized an amalgamation of the existing reserve funds, which included the Minoia Gamig Group Home reserve, the Transitional Home reserve and the Camp Property reserve. The amalgamated reserve fund was renamed the Infrastructure and Capacity reserve.

#### (b) Revenue Recognition

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions related to general operations are recognized as revenue of the Unexpended Fund in the year in which the related expenses are incurred. Contributions received for which related expenses have not been incurred are classified as deferred revenue.

Unrestricted contributions are recognized as revenue of the Unexpended Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 2. Significant Accounting Policies (continued)

#### (c) Property and Equipment and Deferred Capital Contributions

Property and equipment are recorded at cost. Amortization is provided on a basis designed to amortize the property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	-	5% diminishing balance
Computer equipment	-	30% diminishing balance
Furniture and equipment	-	20% diminishing balance
Leasehold improvements	-	straight-line over five years
Vehicles	-	30% diminishing balance

Grants received for the purpose of funding property and equipment acquisitions are recorded as deferred capital contributions. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations in an amount equal to amortization recorded on the property and equipment funded.

#### (d) Donated Materials and Services

Donations of materials and services, including volunteer services, not normally paid for by the Organization are not recorded in the accounts, as it would be difficult to determine their fair value.

#### (e) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from their estimates.

#### (f) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its fair value and is not recoverable. The fair value of asset is defined as the estimated undiscounted future cash flows expected to result from the use of the asset. Other factors that may indicate impairment are expected future asset utilization and economic outlook.

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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 3. Accounting Standards for Not-for-Profit Organizations

In March 2011, the Accounting Standards Board (AcSB) issued the final accounting standards for not-for-profit organizations in Canada. The new standards specifically address the financial reporting needs of Canadian not-for-profit organizations. Accounting standards for not-for-profit organizations are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012. Early adoption is permitted but the Organization will not early adopt the standards. The Organization does not expect the adoption of these standards to have a significant impact on its financial statements.

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### 4. Financial Instruments

In accordance with Section 3855, Financial Instruments - Recognition and Measurement, financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Organization when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The financial assets and financial liabilities of the Organization are classified and measured as follows:

<u>Financial Asset / Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash / Bank overdraft	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities and bank debt	Other financial liabilities	Amortized cost

The other amounts noted on the balance sheet are not financial instruments.

The fair value of the financial assets approximate their carrying values due to their short term nature. In the Organization's opinion, there are no significant credit, market, interest rate or currency risks arising from its financial instruments except for the interest rate risk on the floating rate portion of the Bankers' Acceptance loan as described in Note 6b.

The Organization has elected to use the exemption provided by The Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These sections would otherwise have applied to the financial statements of the Organization for the year ended March 31, 2011. The Organization applies the requirements of Section 3861, Financial Instruments - Disclosure and Presentation.

# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

### 5. Property and Equipment

Property and equipment is comprised of:

	<u>Cost</u>	<u>2011</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>
Buildings	\$ 20,197,093	\$ 2,804,160	\$ 17,392,933
Buildings under construction	2,580,777	7,976	2,572,801
Computer equipment	1,044,895	752,680	292,215
Furniture and equipment	1,130,087	649,112	480,975
Leasehold improvements	311,030	292,184	18,846
Vehicles	243,374	206,984	36,390
	<u>\$ 25,507,256</u>	<u>\$ 4,713,096</u>	<u>\$ 20,794,160</u>

	<u>Cost</u>	<u>2010</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>
Buildings	\$ 19,578,052	\$ 1,905,033	\$ 17,673,019
Buildings under construction	300,749	-	300,749
Computer equipment	836,699	672,059	164,640
Furniture and equipment	1,076,309	535,590	540,719
Leasehold improvements	311,030	290,090	20,940
Vehicles	243,374	191,388	51,986
	<u>\$ 22,346,213</u>	<u>\$ 3,594,160</u>	<u>\$ 18,752,053</u>

The Organization is in the process of renovating the Daycare facility at 156 Galloway Road, and constructing a cookhouse at Grundy Lake. It is expected that additional costs of \$1,857,220 will be incurred before the projects are completed. The Organization will substantially fund these costs with funding from government agencies.

# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

### 6. Bank Debt

	<u>2011</u>	<u>2010</u>
(a) Demand operating loan	\$ -	\$ 90,000
(b) Bankers Acceptance loan	<u>9,322,000</u>	<u>9,681,000</u>
	9,322,000	9,771,000
Less: current portion	<u>9,322,000</u>	<u>9,771,000</u>
Long term portion	<u>\$ -</u>	<u>\$ -</u>

- (a) The Organization has available an operating line of credit with the Royal Bank (the "Bank") in the amount of \$1,500,000. The operating line of credit bears interest at Bank prime minus 1%, with interest payable monthly. It is secured by a General Security Agreement with a first ranking security interest in all personal property of the Organization. As at March 31, 2011, the balance of the operating line was nil (2010 - \$90,000).

The Organization also has the option to issue Letters of Credit under the terms of the line of credit agreement. At year end, the following Letters of Credit were issued:

	<u>2011</u>	<u>2010</u>
City of Toronto	\$ 3,498	\$ 3,498
City of Toronto	16,800	16,800
City of Toronto	78,631	78,631
City of Toronto	2,916	2,916
City of Toronto	<u>12,600</u>	<u>-</u>
	<u>\$ 114,445</u>	<u>\$ 101,845</u>

- (b) The Bankers' Acceptance Loan bears interest at the Bankers' Acceptance rate of 0.70% plus an acceptance fee of 0.4%. The Organization has provided security to the Bank for its indebtedness, including a general security interest over all property, a collateral mortgage of \$11,750,000 on the College Street and Galloway Street properties and a title insurance policy in favour of the bank on the College Street property.

On April 30, 2009, the Organization entered into a swap agreement with the Royal Bank of Canada, which expires on October 31, 2027. Under the terms of the swap agreement, the floating rate Bankers Acceptance loan in the amount of \$8,971,000 was swapped for a fixed rate loan bearing interest at 3.58%. \$1,000,000 of the loan balance bears interest at a floating rate. Under the terms of the agreement, total monthly payments will fluctuate from month to month and will be in the range of \$56,000 to \$61,000.

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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 6. Bank Debt (continued)

Future minimum principal and interest payments for the mortgage over the next five years are as follows:

2012	\$	374,000
2013		387,000
2014		402,000
2015		417,000
2016		431,000
Thereafter		6,224,000

Interest of \$314,026 (2010 - \$354,519) was paid during the year.

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### 7. Deferred Capital Contributions

Deferred capital contributions consist of:

	<u>2011</u>	<u>2010</u>
Opening balance	\$ 7,625,129	\$ 6,826,205
Current year funding grants	2,896,500	1,168,136
Amortization	<u>(454,136)</u>	<u>(369,212)</u>
	<u>\$ 10,067,493</u>	<u>\$ 7,625,129</u>

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### 8. Commitments

The Organization leases its premises and equipment under operating leases that expire on various dates to July 2013. Future annual payments (excluding taxes, insurance and maintenance costs) under the leases are as follows:

2012	\$	80,106
2013		80,106
2014		8,513

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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 9. Contingencies

#### (a) Funding

Certain funders have provided capital funding for the purchase of buildings and have requirements that collateral mortgages be registered against the properties. These collateral mortgages have no effect on the operations of the organization as long as the buildings are used for their intended purpose.

In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions for their programs. At this time no estimate of the requirements, if any, to reimburse the agencies can be made.

#### (b) Service Contract / CFSA Approval with the Ministry of Children and Youth Services

The Organization has a Service Contract / CFSA Approval with the Ministry of Children and Youth Services. A reconciliation report summarizes by service all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract / CFSA Approval. A review of these reports shows these services to be in a nil or deficit position as at March 31, 2011. The prior year deficit amount of \$434,800 was funded in the current year, and is being shown as revenue for the 2011 fiscal year.

#### (c) GST/HST on Outside Service Provider Fees

As a result of recent tax rulings within the industry, certain of the outside service providers for the care of children have, on a retroactive basis, started to charge GST/HST. The Organization has accrued any known GST/HST backcharges in the current year's financial statements. At the present time, the full exposure to any further GST/HST backcharges is unknown, and have not been accrued for in the financial statements. When received, the GST/HST backcharges will be recorded as a current year expense, and will be subject to GST/HST rebate provisions.

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### 10. Allocation of Expenses

The Organization receives funding from various government agencies based on specific program needs and budgets and allocates expenses to the various programs. In certain circumstances, the Organization provides allocations from current year general program funding to ensure programs do not generate a deficit. In addition, management makes estimates to allocate certain administrative expenses according to the activity to which they benefit. Office, administration and general expenses totalling \$611,667 (2010 - \$574,821) and occupancy expenses totalling \$317,751 (2010 - \$301,473) have been allocated by management in the current year.



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# Native Child and Family Services of Toronto

## Notes to Financial Statements

March 31, 2011

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### 11. Economic Dependence

The Organization is dependent on the Ministry of Children and Youth Services, Health Canada, the City of Toronto and other funders for funding of its operations. Funding is provided each fiscal year based on an operating budget for the year approved by the relevant government agencies.

Current funding policies of certain government agencies require the Organization to repay any surplus arising from underspent Ministry grants in the subsequent year.

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### 12. Comparative Information

Certain figures for the year ended March 31, 2010 have been reclassified to conform with the presentation adopted in the current year.