

**THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)**

Financial Statements
for the Year Ended March 31, 2011
and Independent Auditors' Report to the Directors

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
FINANCIAL STATEMENTS
MARCH 31, 2011

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CHARTERED ACCOUNTANTS

**DURWARD JONES BARKWELL
& COMPANY LLP**

69 Ontario Street, P.O. Box 505
St. Catharines, Ontario L2R 6V9

905.684.9221 866.219.9431 Fax 905.684.0566
stcath@djb.com www.djb.com

INDEPENDENT AUDITORS' REPORT

**To the Directors of
The Children's Aid Society of the Niagara Region
(Operating as Family and Children's Services Niagara):**

We have audited the accompanying financial statements of The Children's Aid Society of the Niagara Region, which comprise the statement of financial position as at March 31, 2011, and the statements of operations - operating fund, changes in fund balances - operating fund, operations and fund balance - private and capital fund and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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 the auditor's 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 audit opinion.

Opinion

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

**Durward Jones Barkwell & Company LLP
Licensed Public Accountants**

June 15, 2011



Big enough to know
SMALL ENOUGH TO CARE

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
 (Operating as Family and Children's Services Niagara)
 STATEMENT OF OPERATIONS - OPERATING FUND
 YEAR ENDED MARCH 31, 2011

REVENUE	2011	2010
Province of Ontario (Note 11)	\$ 42,103,785	\$ 39,483,486
Prior year's funding adjustments (Note 12)	502,445	(23,213)
	42,606,230	39,460,273
EXPENDITURE		
Child Welfare Expenses		
Salaries - includes Admission Prevention	17,931,828	18,030,959
Employee benefits	4,249,876	4,085,649
Travel	1,751,892	1,643,222
Training	110,472	116,512
Building occupancy	777,707	692,220
Non-client purchased professional services	94,328	148,271
Boarding rate payments	14,204,009	14,117,767
Client purchased professional services - inc. legal costs + block 2	796,060	1,078,452
Client personal needs (Note 11) - inc. OCBE, adop. subsidy + block 2	1,977,265	1,629,704
Health and related expenses	965,979	1,036,226
Financial assistance	14,518	12,663
Promotion and publicity	127,119	63,603
Technology	260,737	232,433
Office and administration expense	411,216	384,236
Other miscellaneous	185,485	170,840
	43,858,491	43,442,757
EXPENDITURE RECOVERIES AND NON-RETAINABLE INCOME		
Rebates	477,310	277,570
Administration fees	316,589	280,518
Supervision recoveries	150,145	93,707
Maintenance from parents	32,996	31,343
Special allowances	1,695,559	1,602,391
Interest earned	10,493	578
Other income	4,352	11,398
	2,687,444	2,297,505
Net expenses	41,171,047	41,145,252
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	1,435,183	(1,684,979)
SPECIAL PROJECTS (Note 13)	(5,256)	119,863
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	\$ 1,429,927	\$ (1,565,116)

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
 (Operating as Family and Children's Services Niagara)
STATEMENT OF CHANGES IN FUND BALANCES - OPERATING FUND
 YEAR ENDED MARCH 31, 2011

	Child Welfare		Special Projects		Total
	2011	2010	2011	2010	2011
FUND BALANCE, BEGINNING OF YEAR	\$ (5,153,593)	\$ (1,316,076)	\$ 363,504	\$ 271,036	\$ (2,970,089)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	1,233,133	(1,684,979)	(5,256)	119,863	429,927
TRANSFERS TO PRIVATE AND CAPITAL FUND (Note 14)	(833,452)	(333,539)	(66,221)	(27,395)	(886,703)
FUND BALANCE, END OF YEAR	\$ (2,750,927)	\$ (3,333,593)	\$ 322,027	\$ 363,504	\$ (2,428,865)

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
STATEMENT OF OPERATIONS AND FUND BALANCE - PRIVATE AND CAPITAL FUND
YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
SUPPORT AND REVENUE		
Unrestricted		
Interest	\$ 285	\$ 5
Internally Restricted		
Harmonized sales tax recovery	-	7
Externally Restricted		
Niagara Falls building project - government contribution	1,374,211	-
Harmonized sales tax recovery	284	127
Interest	2,406	53
Endowment		
Interest	710	15
	<u>1,377,896</u>	<u>207</u>
EXPENDITURE		
Unrestricted		
Sundry	500	5,000
Internally Restricted		
Bursaries, scholarships and other	37,910	12,416
Externally Restricted		
Bursaries, scholarships and other	2,963	18,560
Endowment		
Sundry	-	250
Capital		
Depreciation	1,044,313	1,036,548
Interest on capital leases	46,281	7,118
Interest on non-revolving term loan	-	14,076
Interest on loan payable	71,081	54,634
	<u>1,203,048</u>	<u>1,148,602</u>
	174,848	(1,148,395)
LOSS ON DISPOSAL OF EQUIPMENT	<u>(231)</u>	-
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENDITURE BEFORE TRANSFERS	174,617	(1,148,395)
TRANSFERS FROM THE NIAGARA FOUNDATION FOR FAMILY AND CHILDREN SERVICES (Note 18)	<u>407,910</u>	18,974
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENDITURE	582,527	(1,129,421)
FUND BALANCE, BEGINNING OF YEAR	6,438,243	7,206,730
TRANSFERS FROM OPERATING FUND (Note 14)	<u>888,703</u>	360,934
FUND BALANCE, END OF YEAR	<u>\$ 7,909,473</u>	<u>\$ 6,438,243</u>

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
 (Operating as Family and Children's Services, Niagara)
 STATEMENT OF FINANCIAL POSITION
 MARCH 31, 2011

	Operating Fund		Private and Capital Fund		Total
	2011	2010	2011	2010	2011
ASSETS					
Current assets					
Cash and short-term deposit (Note 2)	\$ 182,561	\$ 974,567	\$ 78,635	\$ 480,432	\$ 1,454,999
Accounts receivable (Note 3)	105,276	275,419	15,577	520	275,939
Prepaid expenses	125,979	185,049	-	-	185,049
Due from Private and Capital Fund (Note 4)	314,183	-	-	-	314,183
Capital assets (Note 6)	25,094	1,435,035	480,952	480,952	1,915,987
Registered Education Savings Plans (Note 6)	702,860	525,857	7,536,883	-	7,536,883
	\$ 4,165,934	\$ 1,960,882	\$ 8,017,835	\$ 8,017,835	\$ 9,978,727
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued charges (Note 7)	\$ 5,982,969	\$ 4,405,124	\$ 8,500	\$ 9,000	\$ 9,997,549
Due to Operating Fund (Note 4)	314,183	-	314,183	-	314,183
Current portion of loan payable (Note 8)	13,978	-	13,978	13,186	13,198
Current portion of obligations under capital lease (Note 9)	8,914	-	8,914	85,311	85,311
Loan payable (Note 8)	6,882,968	4,405,124	346,666	103,507	8,228,625
Obligations under capital lease (Note 9)	-	-	1,211,838	1,225,996	1,211,838
Registered Education Savings Plans (Note 6)	702,860	525,857	-	250,089	250,089
Contingencies and commitments (Note 10)	6,585,919	4,930,981	1,557,504	1,579,592	8,143,323
	(2,750,892)	(3,333,593)	7,433,297	5,962,291	(3,333,593)
Fund balances	322,027	363,504	192,141	193,530	363,504
Child welfare (Note 11)	-	-	-	-	-
Special projects	-	-	-	-	-
Invested in capital assets	-	-	-	-	-
Externally restricted	-	-	-	-	-
Internally restricted	-	-	-	-	-
Endowment	-	-	-	-	-
Unrestricted	-	-	-	-	-
	(2,428,865)	(2,970,089)	7,909,473	6,439,243	6,468,154
	\$ 4,166,964	\$ 1,960,882	\$ 9,486,977	\$ 8,017,835	\$ 13,623,931
					\$ 9,978,727

Approved by the Board:

Sybil Kane Director

Richard Jones Director

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Excess (deficiency) of support and revenue over expenditure		
Operating Fund	\$ 1,429,927	\$ (1,565,116)
Private and Capital Fund	582,527	(1,129,421)
	<u>2,012,454</u>	<u>(2,694,537)</u>
Items not affecting cash		
Depreciation	1,044,313	1,036,548
Loss on disposal of equipment	231	-
	<u>3,056,998</u>	<u>(1,657,989)</u>
Changes in non-cash working capital balances		
Accounts receivable - Operating Fund	(776,057)	294,075
Accounts receivable - Private and Capital Fund	(1,157)	2,986
Prepaid expenses - Operating Fund	(10,825)	(24,981)
Accounts payable and accrued charges - Operating Fund	1,477,835	326,544
Accounts payable and accrued charges - Private and Capital Fund	3,590	-
	<u>3,750,384</u>	<u>(1,059,365)</u>
INVESTING ACTIVITY		
Purchase of capital assets - Private and Capital Fund	(2,340,335)	(205,129)
FINANCING ACTIVITIES		
Repayments of non-revolving term loan - Operating Fund	-	(1,247,900)
Proceeds from loan payable - Private and Capital Fund	-	1,247,900
Repayments of loan payable - Private and Capital Fund	(13,375)	(8,708)
Repayment of obligations under capital lease - Private and Capital Fund	(480,447)	(71,269)
	<u>(493,822)</u>	<u>(79,977)</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM DEPOSIT	916,227	(1,344,471)
CASH AND SHORT-TERM DEPOSIT, BEGINNING OF YEAR	1,454,999	2,799,470
CASH AND SHORT-TERM DEPOSIT, END OF YEAR	\$ 2,371,226	\$ 1,454,999

Supplemental information is provided in Note 15.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Purpose of the Society

The Children's Aid Society of the Niagara Region is a charitable organization which provides child welfare services, including child protection, family assistance, parental relief, foster care, group care, adoption programs and a variety of special and child care projects while also supporting the autonomy and integrity of the family through other programs. The Society was incorporated as a corporation without share capital in Ontario under Letters Patent on January 6, 1969.

Fund accounting

The Society follows the restricted fund method of accounting whereby financial statement elements are reported by fund. Resources are classified for accounting and reporting purposes by the activity or objective specified. The restricted and endowment funds have stipulations that specify how resources must be used. External restrictions have been stipulated by an arm's-length third party. Unrestricted funds have no such stipulations. Internal restrictions have been applied by the Directors of the Society.

The Operating Fund reports the Society's unrestricted day-to-day delivery of services and activities including child welfare, special projects and their administration.

The Private and Capital Fund reports specific activities and accounts for all the Society's capital assets. The revenues generated by this fund are used for purposes designated by the donors and/or the Directors of the Society.

Revenue recognition

The Society follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue in the appropriate restricted fund in the year received or receivable. Unrestricted contributions are recognized as revenue of the unrestricted fund when the contribution is received or receivable. Contributions for endowment are recognized as revenue in the endowment fund. Revenues and expenditures are recorded on an accrual basis for all funds.

Capital assets

The Society's capital assets consist of land, buildings, equipment, vehicles and leasehold improvements and are recorded at acquisition cost. Depreciation is recorded on a straight-line basis over the assets' estimated useful lives, which are as follows:

Buildings	20 years
Equipment	5 - 10 years
Vehicles	3 years
Leasehold improvements	10 years

Equipment taken on lease which substantially transfer all of the benefits and risks of ownership to the Society are accounted for as "capital leases", as though an asset had been purchased and a liability incurred. The asset is depreciated on the straight-line basis over a period of 5 years. All other equipment held on lease are accounted for as operating leases.

Pensions

Pension costs for current service are charged to expenditure on a current basis.

Contributed materials and services

The Society receives contributed materials and services which are not recognized in the financial statements because of the difficulty in determining fair value.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

Financial instruments

The organization's financial instruments consist of cash and short-term deposit, accounts receivable, and accounts payable and accrued charges and are classified as held for trading financial instruments. Held for trading financial instruments are investments that were acquired or assumed principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value determined on the basis of market value. Gains or losses are recognized in the statement of operations in the period in which they occur.

Obligations under capital lease and loan payable are classified as other financial liabilities and are recorded at amortized cost.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets and the determination of their useful lives, revenue recognition, accrued liabilities, contingent liabilities and allowances for accounts receivable.

2. CASH AND SHORT-TERM DEPOSIT

Cash and short-term deposit consists of:

	<u>2011</u>	<u>2010</u>
Bank	\$ 1,060,826	\$ 1,454,999
Term deposit	1,310,400	-
	<u>\$ 2,371,226</u>	<u>\$ 1,454,999</u>

The term deposit is a Guaranteed Investment Certificate earning interest at 0.5% per annum and matures June 9, 2011.

3. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Province of Ontario	\$ 522,825	\$ 88,440
Other Society wards	22,391	10,586
Miscellaneous	507,937	176,913
	<u>\$ 1,053,153</u>	<u>\$ 275,939</u>

4. INTER-FUND BALANCES

The amounts due between the Operating Fund and the Private and Capital Fund are non-interest bearing.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
 (Operating as Family and Children's Services Niagara)
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2011

5. CAPITAL ASSETS

	<u>Cost</u>	<u>2011 Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>2010 Net Book Value</u>
Land	\$ 1,076,670	\$ -	\$ 1,076,670	\$ 1,076,670
Buildings	11,319,672	4,454,476	6,865,196	5,243,828
Equipment	6,810,112	5,820,962	989,150	844,472
Vehicles	254,697	254,697	-	24,012
Leasehold improvements	211,145	187,453	23,692	40,778
Equipment under capital lease	88,518	56,591	31,927	307,123
	\$ 19,760,814	\$ 10,774,179	\$ 8,986,635	\$ 7,536,883

6. REGISTERED EDUCATION SAVINGS PLANS

Starting July 2006 the Society receives a monthly \$100 Universal Child Care Benefit payment for every child in care under the age of six. A directive from the Ministry of Children and Youth Services (MCYS) specified that these funds are required to be used towards establishing Registered Education Savings Plans (RESPs) for specific children in care.

The Society also participates in a research project established by the University of Ottawa. This program establishes RESPs for children in care who are in grades 3 through 6.

MCYS Directive

Funds invested in RESPs, aggregate market value
 Funds received, not yet invested in RESPs

	<u>2011</u>	<u>2010</u>
\$ 404,955	\$ 183,123	
282,300	310,700	

University of Ottawa Research Project

Funds invested in RESPs, aggregate market value

	<u>2011</u>	<u>2010</u>
15,605	32,034	
\$ 702,860	\$ 525,857	

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Trade payables and accruals
 Accrued wages
 Boarding home payments
 Other programs
 Professional fees
 Due to Niagara Foundation for Family and Children Services

	<u>2011</u>	<u>2010</u>
\$ 2,495,799	\$ 1,192,372	
2,765,275	2,618,067	
510,028	505,511	
74,989	34,357	
33,980	46,815	
11,478	13,002	
\$ 5,891,549	\$ 4,410,124	

The amount due to the Niagara Foundation for Family and Children Services, a related organization, is non-interest bearing, unsecured and due on demand.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

8. LOAN PAYABLE

	<u>2011</u>	<u>2010</u>
RBC Royal Bank - 5.78% fixed rate term loan, payable in equal monthly instalments of \$7,038 including principal and interest with a 10% annual prepayment option, due April 2019 and secured by land and building in Niagara Falls, Ontario with a book value of approximately \$3,000,000	\$ 1,225,817	\$ 1,239,192
Less amounts due within one year	<u>13,979</u>	<u>13,196</u>
	<u>\$ 1,211,838</u>	<u>\$ 1,225,996</u>

The principal amounts due in each of the next five years are:

2012	\$ 13,979
2013	14,809
2014	15,688
2015	16,619
2016	<u>17,606</u>
	<u>\$ 78,701</u>

9. OBLIGATIONS UNDER CAPITAL LEASE

Under the capital lease agreements expiring between May, 2011 and December, 2011, the Society is required to make minimum lease payments of \$9,110 to pay the balance of the obligation. Included in these payments is \$196 representing interest.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

10. CONTINGENCIES AND COMMITMENTS

- a) The operating results of the Society are subject to review by the Ministry of Children and Youth Services and the Ministry of Community and Social Services of Ontario. Any funding adjustments which may result from any review will be made during subsequent years and will be accounted for as a current year revenue adjustment.

The on-going operations of the Society are dependent on the continued financial support of the Province of Ontario.

- b) Under an agreement with its employees, made in prior years, the Society pays certain employees for accumulated sick leave not used up to an earned entitlement. Upon termination of employment these employees are paid a portion of the unused entitlement. It is the policy of the Society to expense such payments in the year in which they are made and therefore no provision has been made in the financial statements for this liability. The plan which was discontinued at December 31, 1985 is not available to new employees and accordingly the maximum liability at March 31, 2011 is \$17,315 (March 31, 2010 - \$18,706).
- c) The Society leases vehicles, equipment and premises under operating lease agreements with various lease terms. The minimum lease payments under the terms of these leases are:

	<u>Vehicles & Equipment</u>	<u>Premises</u>
Years ending March 31, 2012	\$ 51,528	\$ 50,945
2013	40,619	19,200
2014	39,587	10,400
2015	39,587	-
2016	39,587	-
2017	8,544	-
	<u>\$ 219,452</u>	<u>\$ 80,545</u>

- d) The Society is currently involved in legal actions. These actions are at various stages and are being dealt with by internal and external counsels along with the Society's insurance provider. Internal and external legal counsels to the Society are unable to assess the Society's potential liabilities, if any, in these legal actions. Any resulting liability in excess of that covered by insurance or amounts not covered by insurance will be recorded as a charge to income of the period in which the settlement occurs.
- e) The Society has available a \$500,000 revolving demand loan facility. The revolving demand loan carries interest at Royal Bank prime rate and is secured by a collateral mortgage in the amount of \$1,000,000 constituting a first fixed charge on the lands and improvements at Hannover Drive in St. Catharines. At March 31, 2011, the Society's revolving demand loan balance was nil.
- f) Subsequent to year end, the Society entered into an agreement to purchase furniture for its Niagara Falls building for \$292,603, plus applicable taxes.
- g) Letters of guarantee amount to approximately \$207,000 are outstanding at year end.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

11. ONTARIO CHILD BENEFIT EQUIVALENT POOLED FUND

The Society receives funding from the Province of Ontario that is to be used to provide opportunities for all youth in care 0 to 17 years old, to participate in recreational, educational, cultural and social activities. A portion of the funds are to be used to establish savings accounts for eligible youth in care, ages 15 to 17 years old, to build their financial assets to better prepare them to transition from care to independent living.

The revenue, expenses and fund balance relating to this program are included in the operating fund of the Society. Specifically, included in revenue is \$470,961 (2010 - \$420,842), included in client personal needs expense is \$370,390 (2010 - \$16,053) and included in Child Welfare fund balance is \$795,783 (2010 - \$695,212).

12. PRIOR YEAR'S FUNDING ADJUSTMENTS

During the current year, the Society received \$502,445 from the Ministry of Community and Social Services and the Ministry of Children and Youth Services relating to Child Welfare funding from the prior year. The Society also repaid \$70,642 relating to clawback of Special Projects funding from the prior year.

13. SPECIAL PROJECTS

In addition to Child Welfare activities, the Society has responsibility to administer certain other projects. Special projects currently under administration include Adult Protective Services, Alternative Dispute Resolution, Capital and Facility Grants, Community Capacity Building, Employment Projects, Family Counselling Centre, Family Violence Counselling, New Outlooks and Beginnings, Nursery Schools, Partner Assault Response and Special Needs Resourcing.

Individual special project surpluses or deficits in the Special Projects Fund Balance are subject to review. Adjustments for funding of a project deficit or repayment of a project surplus are recorded in the year that approval is granted.

Total Special Project revenues and expenses for the year ended March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Revenue		
Province of Ontario	\$ 1,602,555	\$ 1,687,386
Province of Ontario - Capital and Facility Grants	20,000	-
Federal Government	5,904	7,618
Regional Municipality of Niagara	1,240,228	1,288,888
United Ways of Niagara	151,202	146,368
Prior year's funding adjustments (repayments) (Note 12)	(70,642)	(5,740)
Other	701,023	632,342
	3,650,270	3,756,862
Expenditures	3,655,526	3,636,999
	\$ (5,256)	\$ 119,863

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

14. INTERFUND TRANSFERS

The net transfer to the Private and Capital Fund amounted to \$888,703 (2010 - \$360,934). Capital items transferred to the Private and Capital Fund amounted to \$277,518 (2010 - \$333,599) and cash transfers to the Private and Capital Fund amounted to \$611,185 (2010 - \$27,335).

15. SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

During the year, capital assets were acquired at a cost of \$2,494,296, of which \$153,961 were purchased by means of capital lease. The corresponding liability on the lease purchases has been set up as obligations under capital lease. Cash payments of \$2,340,335 are reflected as investing activities.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair value of cash and short-term deposit, accounts receivable and accounts payable and accrued charges approximates their carrying values due to the relatively short-term nature of these instruments and are classified as held for trading financial instruments.

The carrying values of the obligations under capital lease and loan payable approximates their fair value since these instruments have interest rates that were established under market conditions.

Risk management

In the normal course of business, the Society is exposed to financial risks that may potentially impact its operating results. The Society employs risk management strategies with a view to mitigating these risks on a cost effective basis.

Interest rate risk

The Society is exposed to interest rate risk on its available revolving demand loan facility which bears interest at a rate that fluctuates with market conditions. The Society does not use any derivative instruments to reduce its exposure to interest rate risk.

Other risks

It is management's opinion that the Society is not exposed to other significant risks arising from its financial instruments.

17. CAPITAL MANAGEMENT

The Society defines its capital as the amounts included in its Operating Fund and Private and Capital Fund balances.

The Society's objective when managing its capital, which is unchanged from 2010, is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders. The Society operates under service contracts with the Province of Ontario and the Regional Municipality of Niagara as well as the requirements of the Child and Family Services Act which sets out roles and responsibilities of the parties with respect to funding, performance and service.

THE CHILDREN'S AID SOCIETY OF THE NIAGARA REGION
(Operating as Family and Children's Services Niagara)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

18. RELATED PARTY TRANSACTIONS

The Society exercises influence over the Niagara Foundation for Family and Children Services (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of the Society. The Foundation is a public charitable organization incorporated in Ontario.

The Foundation paid administration fees of \$36,623 (2010 - nil) to the Society for rent, salaries and office expenses.

The Foundation transferred \$407,910 to the Private and Capital Fund of which \$37,910 was applied towards the Foundation Grant project (Internally Restricted) and \$370,000 was applied towards the Niagara Falls building project (Internally Restricted). In addition, the Foundation transferred \$102,016 to the Special Projects. All transfers were at the carrying amount.

19. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to current year's financial statement presentation.



CHARTERED ACCOUNTANTS

**DURWARD JONES BARKWELL
& COMPANY LLP**

69 Ontario Street, P.O. Box 505
St. Catharines, Ontario L2R 6V9

905.684.9221 866.219.9431 Fax 905.684.0566
stcath@djb.com www.djb.com

To the Audit Committee
The Children's Aid Society of the Niagara Region
(Operating as Family and Children's Services Niagara)
82 Hanover Drive, P.O. Box 24028
St. Catharines, ON
L2R 7P7

May 24, 2011

We were engaged to audit the financial statements of The Children's Aid Society of the Niagara Region (the Society) for the year ending 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 the audit committee and it is inappropriate to conclude that no such matters exist. Canadian generally accepted standards for audit engagements require that we communicate the following information with you in relation to the audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, we did not encounter any specific internal control matters that we need to bring to your attention.

Significant Accounting Principles

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by the Society are described in Note 1, Significant Accounting Policies and General Information, in the financial statements.

Although there were no new accounting policies adopted or changes to the application of accounting policies of the Society during the year, new Canadian Auditing Standards became effective and were incorporated into the yearend audit.

Significant Unusual Transactions

During the year, the Society entered into three new capital lease agreements. On March 31, 2011, these capital leases, along with a capital lease that was entered into in the March 31, 2010 fiscal year, were bought out. Any payments made on these buyouts in excess of the calculated capital lease obligation have been expensed in the Statement of Operations – Private and Capital Fund.

We are not aware of any other significant transactions in the normal course of operations or unusual transactions entered into by the Society that you should be informed about.



Big enough to know
SMALL ENOUGH TO CARE 

Accounting Estimates

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the Society's business plans; and
- Other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. The most sensitive accounting estimate would be the depreciation rates used for capital assets. We examined calculations, key assumptions and risk factors used to estimate the carrying value of the Society's capital assets and concluded that the rates used and the carrying values were reasonable.

We feel it is important to note that we reviewed the private and capital fund income, expenses and allocations with the operating fund and The Niagara Foundation for Family and Children Services to ensure accuracy of allocations and correctness based on documentation available and approvals in the board minutes. This is done to ensure that entries are made in the proper funds as many of the funds have different restrictions on use. No errors were identified.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Society's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

Consultation with Other Accountants (Second Opinions)

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion". When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured

that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

Issues Discussed with Auditor

The auditor generally discusses among other matters, the application of accounting principles and auditing standards, and fees, etc. with management during the initial or recurring appointment of the auditor during the normal course of business. There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

Items Encountered During the Audit

During the course of our audit we identified some minor issues and constructive service points that we would like to disclose to you. It is important to note that these issues have already been discussed with management and are in the process of being acted upon, if necessary.

Cash Management

The Society's mortgage on the Niagara Falls building allows for an annual prepayment of principal to a maximum of 10% without penalty. Due to the relatively high fixed interest rate on the mortgage (i.e. 5.78%), consideration may be given to exercising this option to help reduce interest expense in the future. The Society has had to manage cash quite tightly over the past few years due to funding uncertainty and ongoing deficits and therefore it would not appear to be a sound business decision to suggest cash from the Society is used in this prepayment manner. However, consideration may be given to discussing the idea with the Board of Directors of the Niagara Foundation for Family and Children's Services. If the Foundation has unrestricted excess cash available it may benefit the organizations, in aggregate, by loaning funds from the Foundation to the Society to pay down the mortgage. This new loan could bear an interest rate equal to that currently charged on the mortgage. The end result being that interest currently being paid to the Society's financial institution is paid to and remains in the Foundation, and ultimately benefits the Society through increased funding in the future. It must be remembered however, that once these funds are used to pay down the mortgage they are permanently unavailable for use in the future (barring a renegotiation with the bank). As such, this recommendation should only be considered if the Foundation has excess funds it does not see as being required in the short to mid-term future.

Record Retention

It was brought to our attention during our fieldwork that the Society would like to consider revising their record retention policies for the original copies of scanned documents. The current policy is to maintain the original documents for a period of at least seven years. Given that most of the supporting documents are now scanned and saved on the Society's computer network, we agree that a retention policy revision would be appropriate; however, we would like to offer the following considerations to keep in mind. Firstly, the Society should verify that the regular backups done on the network are sufficient to avoid the accidental loss of any documents scanned. Secondly, we strongly recommend that the location of the scanned documents on the network be streamlined as much as possible. During our audit fieldwork over the past few years, we have noticed significant changes each year as to how documents are saved on the network (i.e. where to access them in Frontline, the new electronic authorization system, etc.). The Society should ensure that the file location is consistent to avoid misplaced files on the network. Currently, it is a simple matter to locate the paper copy of an invoice if it cannot be found on the network; however, this option will not be available if the paper copies have been destroyed.

RESP Directive

As noted in our prior year letter, since July 2006 the Society has been receiving UCCB payments for all children in care under the age of 6. As per a Ministry of Children and Youth Services directive issued April 2008, these payments are to be used to invest in RESPs for specific children in care. Some of these RESPs are subject to time limits set out in the directive. The Society's management has continued to establish RESPs in compliance with this directive and the overall proportion of funds received and invested in RESPs to those received and not yet invested has increased over prior years. However, some of the timelines set out in the directive have not all been met. Management should continue to exhaust all efforts in order to obtain the required information and ensure RESPs are established as soon as possible.

Audit Committee Terms of Reference

Per our review of the Audit Committee's Terms of Reference, we noted that the terms for the Committee have not been significantly altered since 2007. The primary function of an audit committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting. We recommend that these terms are reviewed at least annually to ensure these responsibilities are met. Consideration could be given to adding responsibility areas such as: Risk and Uncertainty (outside of those surrounding the annual financial statement audit), Compliance with laws, regulations and contractual obligations, Financial Controls and Budgeting.

Potential GST/HST liability

Management has provided us with some information that the Canada Revenue Agency has recently audited a for-profit foster care provider and reassessed them for GST owing for foster care services provided to Children's Aid Societies (CAS's). This foster care provider recently filed a Notice of Appeal at the Tax Court of Canada. If the reassessment stands on appeal, it appears that CAS's who contract with this type of foster care provider may be liable for additional amounts of GST/HST that should have been charged on these expenses, up to a period of 4 years in the past. Management has represented to us that the amount of potential liability for the past four years, net of any rebates, for the Society is approximately \$100,000. Due to the uncertainty surrounding this case and the fact that the amount is immaterial, no liability has been accrued and expensed or disclosed in the March 31, 2011 audited financial statements.

Other

Effective January 1, 2012 the Canadian Institute of Chartered Accountants has come out with new standards for non-profit organizations. We would be pleased to discuss the impact of these new policies with you.

Further, during the course of our audit we did not identify any of the following:

- Misstatements, other than trivial errors;
- Fraud;
- Misstatements that may cause future financial statements to be materially misstated; or
- Illegal or possibly illegal acts.

We shall be pleased to discuss with you further any matters mentioned above, at your convenience.

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

To ensure there is a clear understanding and record of the matters discussed, we ask that this letter is reviewed at the next audit committee meeting and that a member of the audit committee sign as an acknowledgement in the space provided below. Should any member of the audit committee wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly,

DURWARD JONES BARKWELL & COMPANY LLP

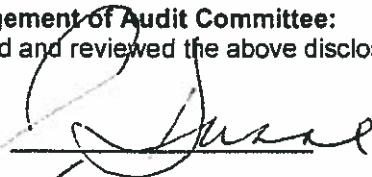


Gary A. Kornya, C.A.
Partner

Acknowledgement of Audit Committee:

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Signature:



Date:

July 13, 2011