

**CHILDREN'S AID SOCIETY OF  
THE COUNTY OF PRINCE EDWARD  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2011**

**REYNOLDS & MURRAY**  

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**CHARTERED ACCOUNTANTS**

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**AUDITOR'S REPORT**

To the Members of the Board of the  
Children's Aid Society of  
The County of Prince Edward  
Picton, Ontario

We have audited the following financial statements of the Children's Aid Society of the County of Prince Edward:

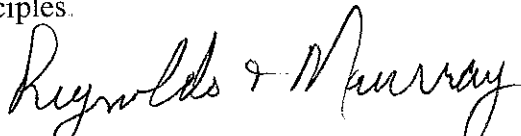
1. Consolidated Statement of Financial Position as at March 31, 2011.
2. Operating Fund: Statement of Operations and Changes in Fund Balance for the year ended March 31, 2011.
3. Capital Asset Fund: Statement of Operations and Changes in Fund Balance for the year ended March 31, 2011.
4. Endowment, Campaign and Education Incentive Program Funds: Statement of Operations and Changes in Fund Balance for the year ended March 31, 2011.
5. Statement of Cash Flows for the year ended March 31, 2011.

These financial statements are the responsibility of the Children's Aid Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Picton, Canada  
May 25, 2011

  
CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2011**

	Operating Fund \$	Capital Asset Fund \$	Endowment, Campaign and Education Incentive Fund \$	2011 Total \$	2010 Total \$
<b>CURRENT ASSETS</b>					
Cash	171,274	-	142,377	313,651	409,610
Marketable securities	46,542	-	103,201	149,743	147,886
Accounts receivable	70,180	-	-	70,180	28,146
Due from Ministry	47,510	-	-	47,510	64,688
Interfund loan	44	-	(44)	-	-
	<u>335,550</u>	<u>-</u>	<u>245,534</u>	<u>581,084</u>	<u>650,330</u>
TRUST FUND ASSET - note 2	-	-	57,832	57,832	47,798
CAPITAL ASSETS - note 3	-	794,358	-	794,358	845,333
	<u>335,550</u>	<u>794,358</u>	<u>303,366</u>	<u>1,433,274</u>	<u>1,543,461</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	197,210	-	-	197,210	261,206
Reserve for special programs - see schedule, page 3	13,205	-	-	13,205	13,205
	<u>210,415</u>	<u>-</u>	<u>-</u>	<u>210,415</u>	<u>274,411</u>
TRUST FUND LIABILITY - note 2	-	-	57,832	57,832	47,798
<b>FUND BALANCES</b>					
Invested in capital assets	-	794,358	-	794,358	845,333
Externally restricted	125,135	-	94,326	219,461	226,872
Unrestricted	-	-	151,208	151,208	149,047
	<u>125,135</u>	<u>794,358</u>	<u>245,534</u>	<u>1,165,027</u>	<u>1,221,252</u>
	<u>335,550</u>	<u>794,358</u>	<u>303,366</u>	<u>1,433,274</u>	<u>1,543,461</u>
CONTINGENCY - note 4					

The accompanying notes form an integral  
part of these financial statements

**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF RESERVE FOR SPECIAL PROGRAMS  
FOR THE YEAR ENDED MARCH 31, 2011**

	2011 \$	2010 \$
<b>BALANCE - BEGINNING OF YEAR</b>		
Independent Living	714	714
Child and Family Intervention	<u>12,491</u>	<u>12,491</u>
	<u>13,205</u>	<u>13,205</u>
<b>TRANSFER TO (FROM) RESERVE FOR SPECIAL PROGRAMS</b>		
Independent Living - subsidy	19,466	19,466
- costs	<u>(19,466)</u>	<u>(19,466)</u>
	<u>-</u>	<u>-</u>
Child Abuse Training - subsidy	7,686	7,686
- costs	<u>(7,686)</u>	<u>(7,686)</u>
	<u>-</u>	<u>-</u>
Other Child Services - subsidy	3,341	3,341
- costs	<u>(3,341)</u>	<u>(3,341)</u>
	<u>-</u>	<u>-</u>
<b>BALANCE - END OF YEAR - see note 4(a)</b>		
Independent Living	714	714
Child and Family Intervention	<u>12,491</u>	<u>12,491</u>
	<u><u>13,205</u></u>	<u><u>13,205</u></u>

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**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2011**

	2011 \$	2010 \$
<b>REVENUE</b>		
Province of Ontario	<u>5,094,202</u>	<u>4,795,739</u>
<b>EXPENSES - see schedule, page 5</b>		
Direct cost of services for children in care	2,196,037	2,005,818
Cost of other specific services	2,222,913	2,013,680
Cost of administration	<u>616,750</u>	<u>624,921</u>
	<u>5,035,700</u>	<u>4,644,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	58,502	151,320
<b>TRANSFER TO CAPITAL FUND</b>	<u>(27,088)</u>	<u>(14,556)</u>
<b>NET INCREASE (DECREASE) FOR THE YEAR</b>	31,414	136,764
<b>FUND BALANCE, BEGINNING OF YEAR</b>	146,210	9,446
2010 APER PAYMENT (paid to Province of Ontario)	(136,765)	-
2007 APER RECOVERY (received from Province of Ontario)	<u>84,276</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>125,135</u></u>	<u><u>146,210</u></u>

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**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011**

	2011 \$	2010 \$
<b>DIRECT COSTS OF SERVICES FOR CHILDREN IN CARE</b>		
Boarding home and child care institution fees	2,041,494	1,877,897
Clothing	37,764	37,973
Education	5,280	5,354
Health	105,642	105,737
Legal	125,592	129,216
Other needs of children	79,484	109,473
	<u>2,395,256</u>	<u>2,265,650</u>
Less recoveries: Government of Canada - allowance	199,219	259,832
<b>NET COST</b>	<u>2,196,037</u>	<u>2,005,818</u>
<b>COST OF OTHER SPECIFIC SERVICES, SOCIAL WORKERS AND SUPERVISORS</b>		
Other	195,252	152,511
Salaries and benefits	1,748,484	1,632,818
Traveling and subsistence	282,214	233,519
Legal	45,248	42,987
	<u>2,271,198</u>	<u>2,061,835</u>
Less recoveries: Other societies - supervision	45,185	46,222
Miscellaneous	3,100	1,933
	<u>48,285</u>	<u>48,155</u>
<b>NET COST</b>	<u>2,222,913</u>	<u>2,013,680</u>
<b>COST OF ADMINISTRATION</b>		
Accommodation	68,674	74,568
General office	72,018	81,119
Miscellaneous	10,113	16,493
Salaries and benefits	412,599	395,759
Technology	53,346	56,982
<b>NET COST</b>	<u>616,750</u>	<u>624,921</u>

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CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
CAPITAL ASSET FUND  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2011

	2011 \$	2010 \$
REVENUE	<u>-</u>	<u>-</u>
EXPENSES		
Amortization	<u>78,063</u>	<u>87,619</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(78,063)	(87,619)
FUND BALANCE - BEGINNING OF YEAR	845,333	918,396
TRANSFER FROM OPERATING FUND	<u>27,088</u>	<u>14,556</u>
FUND BALANCE - END OF YEAR	<u><u>794,358</u></u>	<u><u>845,333</u></u>

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**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
ENDOWMENT, CAMPAIGN AND EDUCATION INCENTIVE PROGRAM FUND  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2011**

	2011 \$	2010 \$
<b>REVENUE</b>		
Donations	32,056	48,130
Bank and other interest	<u>358</u>	<u>443</u>
	<u>32,414</u>	<u>48,573</u>
 <b>EXPENSES</b>		
Christmas baskets	11,138	11,731
Community needs	4,765	4,890
Miscellaneous	<u>686</u>	<u>671</u>
	<u>16,589</u>	<u>17,292</u>
 <b>EXCESS OF REVENUE OVER EXPENSES</b>	 15,825	 31,281
 <b>FUND BALANCE - BEGINNING OF YEAR</b>	 <u>229,709</u>	 <u>198,428</u>
 <b>FUND BALANCE - END OF YEAR</b>	 <u><u>245,534</u></u>	 <u><u>229,709</u></u>
 <b>Fund balance represented by:</b>		
Externally restricted	94,326	80,662
Unrestricted	<u>151,208</u>	<u>149,047</u>
	<u><u>245,534</u></u>	<u><u>229,709</u></u>

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**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2011**

	2011 \$	2010 \$
<b>CASH FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses		
- Operating Fund	58,502	151,320
- Capital Asset Fund	(78,063)	(87,619)
- Endowment, Campaign and Education Incentive Fund	15,825	31,281
	<u>(3,736)</u>	<u>94,982</u>
Amortization of capital assets	78,063	87,619
Net change in non-cash working capital	(88,852)	(152,477)
2010 APER payment	(136,765)	-
2007 APER (recovery)	84,276	-
	<u>(67,014)</u>	<u>30,124</u>
<b>NET CASH GENERATED (USED) THROUGH OPERATING ACTIVITIES</b>		
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Purchase of capital assets	(27,088)	(14,556)
	<u>(27,088)</u>	<u>(14,556)</u>
<b>NET CASH USED IN FINANCING AND INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	(94,102)	15,568
<b>CASH AND MARKETABLE SECURITIES - BEGINNING OF YEAR</b>	557,496	541,928
<b>CASH AND MARKETABLE SECURITIES - END OF YEAR</b>	<u>463,394</u>	<u>557,496</u>

Represented by:

Cash	313,651	409,610
Marketable securities	149,743	147,886
	<u>463,394</u>	<u>557,496</u>

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CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) FUND ACCOUNTING

The Operating Fund reports revenue and expenses relating to program delivery and administration.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses relating to the organization's capital assets.

The Endowment, Campaign and Education Incentive Program Fund reports resources contributed for specific activities based on the restrictions imposed by the contributors and resources contributed for activities which are unrestricted.

b) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining balance basis over the assets' estimated life which, for furniture and equipment, is 20 percent and for building, 4 percent. Amortization expense is reported in the Capital Asset Fund.

c) REVENUE RECOGNITION

Restricted contributions relating to the Child Welfare Program of the Ministry of Children & Youth Services are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Any adjustments required to revenue on final Ministry approval will be recorded in the then current fiscal year.

Restricted contributions relating to Independent Living, Child Abuse Training, Family Preservation, and Children's Mental Health programs are reported in the Reserve For Special Programs liability and are not shown as revenue in these financial statements.

Restricted and unrestricted contributions relating to the Endowment, Campaign and Education Incentive Program Fund are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

**CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2011**

**2. TRUST FUND**

The fund represents cash held in trust for two Crown Wards of the agency (\$21,332) and RESPs for children held in care (\$36,500).

**3. CAPITAL ASSETS**

	2011			2010
	Cost \$	Accumulated Amortization \$	Net \$	Net \$
Land	54,176	-	54,176	54,176
Building	1,005,038	428,139	576,899	607,262
Furniture and equipment	599,752	436,469	163,283	183,895
	1,658,966	864,608	794,358	845,333

**4. CONTINGENCIES**

- a) The Province of Ontario has advanced to the Society \$30,493 in 2011 (\$30,493 in 2010) for Specific Programs, Independent Living #A556, Child Abuse Training #A346, Child and Family Intervention, Other Child Services #A440 and Child Welfare Transformation Fund #A770. These programs are ongoing; however, it is a requirement that they be accounted for separately and all funds advanced be spent on these programs and accordingly the unexpended funds of \$13,205 (\$13,205 in 2011) have been disclosed as a reserve for special programs.
- b) The Ministry of Children & Youth Services is entitled to share in any proceeds on disposition of capital assets.
- c) During the year, the Society became aware that Canada Revenue Agency (CRA) has taken the position that outside placed foster care (where the Society does not directly pay the foster parents but rather is invoiced by a third party entity) is subject to GST/HST. The Society has never been charged GST/HST on the invoices from any of these entities in the past. It is unclear at this time the Society's exposure to liability with respect to this matter. However, if all of the entities the Society have engaged to provide outside placed foster care in the last four years were to be audited by CRA or voluntary report GST/HST to CRA and then invoiced the Society for GST/HST on services provide in the last four years, the Society would have to pay approximately \$300,000 to the entities. The Society could claim rebates of approximately \$170,000 on the GST/HST paid. At this point the Society is only aware of one outside place foster care provider who had been assessed by CRA with respect to this matter and the Society did not deal with this provider. No provision has been made in these financial statements for any potential liability relating to this matter.

CHILDREN'S AID SOCIETY OF THE COUNTY OF PRINCE EDWARD  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2011

5. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, marketable securities, accounts receivable, Due from Ministry, accounts payable and accruals and Reserve for special programs. Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

The fair market value of these instruments approximate their carrying value due to the short term nature of the instruments.

6. SUBSEQUENT EVENTS

The Board of Director of the Society has approved an Amalgamation Plan with The Children's Aid Society of Northumberland and The Hastings Children's Aid Society. The Plan was submitted to the provincial government on March 31, 2011. The provincial government has not yet approved the Plan. If the Plan is approved, the new amalgamated Corporation would begin operations on April 1, 2012.