

Financial Statements of

**THE CHILDREN'S AID SOCIETY
OF THE DISTRICTS OF
SUDBURY AND MANITOULIN**

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Children's Aid Society of the Districts of Sudbury and Manitoulin and the Ministry of Children and Youth Services

We have audited the accompanying financial statements of **The Children's Aid Society of the Districts of Sudbury and Manitoulin**, which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management based on the financial reporting provisions of the Ministry of Children and Youth Services.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a basis of accounting described in the notes to the financial statements 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 disclosure in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of The Children's Aid Society of the Districts of Sudbury and Manitoulin as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.



Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist The Children's Aid Society of the Districts of Sudbury and Manitoulin to meet the requirements of the Society and the Ministry of Children and Youth Services. As a result, the financial statements may not be suitable for another purpose.

Other Matters

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

KPMG LLP

Chartered Accountants, Licensed Public Accountants

July 19, 2011
Sudbury, Canada

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 1,825,827	\$ 1,434,590
Accounts receivable:		
Due from the Ministry of Children and Youth Services	50,446	509,032
Other	200,571	137,942
Prepaid expenses	162,562	156,514
	<u>2,239,406</u>	<u>2,238,078</u>
Capital assets (note 2)	5,680,529	6,036,168
Restricted:		
Assets held in trust	23,232	18,832
	<u>\$ 7,943,167</u>	<u>\$ 8,293,078</u>
Liabilities, Contributions and Fund balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,881,065	\$ 2,745,268
Deferred Revenue - Ontario Child Benefit Equivalent	634,133	533,460
Current portion of long-term debt (note 3)	204,606	193,765
	<u>3,719,804</u>	<u>3,472,493</u>
Long-term debt (note 3)	4,524,287	4,728,893
Trust Funds (note 4)	23,232	18,832
Fund balances:		
Operating (deficit)	(1,275,792)	(1,040,650)
Equity in capital assets (note 5)	951,636	1,113,510
	<u>(324,156)</u>	<u>72,860</u>
Commitments (note 7)		
Contingencies (note 8)		
Future operations (note 11)		
	<u>\$ 7,943,167</u>	<u>\$ 8,293,078</u>

See accompanying notes to financial statements.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Statement of Operations and Changes in Fund Balances

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

	Operating (Schedule)	Equity in Capital Assets (note 5)	2011 Total	2010 Total
Revenue:				
Ministry of Children and Youth Services				
- Child Welfare Operating (note 6)	\$ 37,002,833	-	37,002,833	36,031,119
- Ontario Child Benefit Equivalent	337,234	-	337,234	107,683
- Other	315,425	-	315,425	249,615
Children's special allowance	1,311,286	-	1,311,286	1,361,888
Maintenance from other societies	199,843	-	199,843	215,941
Children's pension/benefits	10,131	-	10,131	10,497
Maintenance from parents	3,800	-	3,800	3,190
Amortization of deferred capital contributions	-	-	-	101,469
Rental income	205,569	-	205,569	223,352
Recoveries	345,763	-	345,763	191,176
Other	3,765	-	3,765	3,164
	39,735,649	-	39,735,649	38,499,094
Expenditures:				
Wages	15,083,038	-	15,083,038	14,301,064
Benefits	3,065,670	-	3,065,670	2,984,733
Travel	1,705,887	-	1,705,887	1,915,828
Training and recruitment	91,853	-	91,853	120,346
Building occupancy	724,944	-	724,944	593,299
Amortization	-	355,639	355,639	438,225
Interest on long-term debt	259,663	-	259,663	265,774
Purchased services - non-case related	177,109	-	177,109	123,405
Purchased services - case related	1,294,130	-	1,294,130	1,524,352
Boarding rates	13,773,325	-	13,773,325	13,332,693
Client personal needs	1,742,407	-	1,742,407	1,529,169
Medical and related services	638,008	-	638,008	653,316
Promotion and publicity	34,148	-	34,148	35,210
Office	428,633	-	428,633	434,507
Technology	271,404	-	271,404	204,059
Miscellaneous	251,666	-	251,666	270,530
	39,541,885	355,639	39,897,524	38,726,510
Excess (deficiency) of revenue over expenditures	193,764	(355,639)	(161,875)	(227,416)
Fund balances (deficit), beginning of year	(1,040,650)	1,113,510	72,860	(196,669)
Prior year subsidy adjustments	(235,141)	-	(235,141)	496,945
Repayment of long-term debt principal	(193,765)	193,765	-	-
Fund balances (deficit), end of year	\$ (1,275,792)	951,636	(324,156)	72,860

See accompanying notes to financial statements.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Statement of Cash Flows

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

	2011	2010
Cash flows from operating activities:		
Deficiency of revenue over expenditures	\$ (161,875)	\$ (227,416)
Adjustments for:		
Amortization of capital assets	355,639	438,225
Amortization of deferred capital contributions	-	(101,469)
	193,764	109,340
Change in non-cash working capital:		
Decrease (increase) in due from the Ministry of Children and Youth Services	458,586	(284,312)
Decrease (increase) in accounts receivable - other	(62,629)	164,037
Increase in prepaid expenses	(6,048)	(6,656)
Increase (decrease) in accounts payable and accrued liabilities	135,797	(136,910)
Increase in deferred revenue - Ontario Child Benefit Equivalent	100,673	301,010
Prior year subsidy adjustments	(235,141)	496,945
	585,002	643,454
Cash flows from financing activities:		
Principal repayments on long-term debt	(193,765)	(183,508)
Cash flows from investing activities:		
Capital asset additions	-	(260,970)
Net increase in cash	391,237	198,976
Cash, beginning of year	1,434,590	1,235,614
Cash, end of year	\$ 1,825,827	\$ 1,434,590

See accompanying notes to financial statements.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements

Year ended March 31, 2011

The Children's Aid Society of the Districts of Sudbury and Manitoulin (the "Society") provides child protection services in the territorial districts of Sudbury and Manitoulin. It is incorporated without share capital under the Laws of Ontario and is registered as a tax-exempt charitable organization under the Federal Income Tax Act.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the policies as determined by the Ministry of Children and Youth Services. The basis of accounting used materially differs from Canadian generally accepted accounting principles because:

- (i) Prior year funding adjustments are accounted for in net assets rather than the statement of operations;
- (ii) The Society has not accrued for unpaid vacation, other payroll obligations and post-employment benefits;
- (iii) The Society does not capitalize the value of its interest rate swap agreement at fair value; and
- (iv) The Society uses the modified accrual basis of accounting. The modified accrual basis recognizes revenues as they become available and measurable within the 30 day period subsequent to year end; expenditures are recognized as they are incurred and measurable as a result of receipt of goods and services and create a legal obligation to pay within a 30 day period subsequent to year-end.
- (v) Commodity taxes are included with related expenses and the rebates with revenue.

(b) Revenue recognition:

The Society accounts for contributions, which include donations and government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate.

Grants and donations relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Grants approved but not received are accrued.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at rates corresponding to those of the related capital assets.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Amortization of capital assets is recorded as follows:

Asset	Basis	Period
Leasehold improvements	Lease term	Various
Buildings	Straight-line	30 years
Furniture and equipment	Straight-line	10 years
Computer equipment	Straight-line	3 years

(d) Vacation pay, banked overtime and other payroll obligations:

The Society has not accrued for unpaid vacation and other payroll obligations, as the accrual is not considered an allowable expenditure in the current period. The Ministry funds these items on an as taken basis.

At March 31 the amount owing to employees amounted to \$526,763 (2010 - \$476,967). No provision has been made for this amount in the financial statements of the Society.

(e) Post-employment benefits:

The Society has not accrued for unpaid post-employment benefits, as the accrual is not considered an allowable expenditure in the current period. The Ministry funds these benefits when the benefit is paid. This amount has not been determined actuarially or otherwise.

(f) 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 the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(g) Financial instruments:

The financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, excluding derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification.

The Society designated its cash and investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Society complies with CICA 3861, "Financial Instruments – Disclosure and Presentation" for the presentation and disclosure of financial instruments and non-financial derivatives.

The Society has selected to account for transactions at the trade date.

The Society entered into an interest rate swap agreement in order to reduce the impact of fluctuating interest rates on its mortgage payable. This swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Society records this derivative at cost. Canadian generally accepted accounting principles require that this derivative be recorded at fair value. The fair value of this derivative is a deficiency of \$422,502 (2010 - deficiency of \$421,759). No provision has been made for this amount in the financial statements of the Society.

2. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 238,255	\$ 238,255	\$ –	\$ 11,927
Buildings	5,409,962	736,342	4,673,620	4,866,594
Land	675,000	–	675,000	675,000
Furniture and equipment	1,006,656	742,247	264,409	319,828
Computer equipment	359,007	291,507	67,500	162,819
	\$ 7,688,880	\$ 2,008,351	\$ 5,680,529	\$ 6,036,168

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Long-term debt:

	2011	2010
CIBC debt, due April 2, 2027	\$ 4,607,856	\$ 4,785,885
Unsecured promissory note payable with interest at 8.0%, due December 20, 2016	121,037	136,773
	4,728,893	4,922,658
Current portion of long-term debt	(204,606)	(193,765)
	\$ 4,524,287	\$ 4,728,893

The CIBC debt due April 2, 2027 is secured by a first fixed charge on the land and building to which it relates. The debt was advanced under a variable rate credit facility, with interest adjusted monthly. To reduce the interest rate cash flow risk on this debt, the Society has entered into an interest rate swap contract that entitles the Society to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 5.24% over the entire term of the debt. The net interest receivable or payable under the contract is settled monthly with the CIBC, which is a Canadian chartered bank.

The Ministry of Children and Youth Services has approved the use of operating funds for the purpose of mortgage repayments. To protect their interest on the land and building the Ministry has entered into a Mortgage Funding Agreement with the Society. The Agreement, which has been registered with the Lands Registration Office, gives the Ministry rights on the use and disposition of the property.

The unsecured promissory note was obtained to finance leasehold improvements.

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

2012	\$ 204,606
2013	216,064
2014	228,176
2015	240,980
2016	254,516

4. Trust funds:

The Trust Funds consist of bequests to the Society and are used for educational and recreational opportunities for children in the care of the Society. The terms of the bequests require that they only be used for these purposes.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Equity in capital assets:

The equity in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 5,680,529	\$ 6,036,168
Less: Long-term debt	(4,728,893)	(4,922,658)
	<u>\$ 951,636</u>	<u>\$ 1,113,510</u>

6. Ministry of Child and Youth Services Child Welfare Operating Subsidy

Child Welfare Operating Subsidy is calculated as follows:

	2011	2010
Child Welfare Operating Approved Budget	\$ 37,152,387	\$ 36,031,119
Less: Child Welfare Operating Surplus	(149,554)	-
	<u>\$ 37,002,833</u>	<u>\$ 36,031,119</u>

7. Commitments:

The rental obligations for leased property in Little Current are as follows:

2012	\$ 90,924
2013	\$ 90,924
2014	\$ 68,193

The lease expires in January, 2014. The Society has no rental obligations beyond 2014.

8. Contingencies:

The Society is involved in certain legal matters and litigation, the outcome of which is not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion these matters are mitigated by adequate insurance coverage.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Pension agreement:

The Society makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. 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 service and rates of pay.

The amount contributed to OMERS for 2011 was \$1,056,775 (2010 - \$933,981) for current service.

10. Financial instruments:

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of the debt and the related derivative are reflected in note 1(g). The fair value of promissory note is approximately \$20,000 higher than the carrying value given current rates of borrowing available.

There are no significant exposures to credit or market risks.

11. Future operations:

These financial statements have been prepared on the going concern basis notwithstanding the effect of accumulated operating losses. The Society's ability to realize its assets and discharge its liabilities in the normal course of business is dependent upon the continued support of its funding Ministry and its creditors which is anticipated by Management.

12. Public Sector Disclosure Act:

For the calendar year ended December 31, 2011 the Society is in compliance with the Public Sector Disclosure Act, 1996 and the Public Sector Salary Disclosure Amendment Act, 2004.

13. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the presentation adopted in 2011.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF SUDBURY AND MANITOULIN

Schedule of Operations

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

	Child Welfare	First Nations Devolution	Ontario Child Benefit Equivalent	French Language Community Network	Independence	Total 2011	Total 2010
Revenue:							
Ministry of Children and Youth Services							
- Child Welfare Operating	\$ 37,002,833	\$ -	\$ -	\$ -	\$ -	\$ 37,002,833	\$ 36,031,119
- Ontario Child Benefit Equivalent	-	-	337,234	-	-	337,234	107,683
- Other	-	183,600	-	17,000	114,825	315,425	249,615
Children's special allowance	1,311,286	-	-	-	-	1,311,286	1,361,888
Maintenance from other societies	199,843	-	-	-	-	199,843	215,941
Children's pension/benefits	10,131	-	-	-	-	10,131	10,497
Maintenance from parents	3,800	-	-	-	-	3,800	3,190
Rental income	205,569	-	-	-	-	205,569	223,352
Recoveries	345,763	-	-	-	-	345,763	191,176
Other	3,765	-	-	-	-	3,765	3,164
	39,082,990	183,600	337,234	17,000	114,825	39,735,649	38,397,625
Expenditures:							
Wages	14,898,852	96,832	-	-	87,354	15,083,038	14,301,064
Benefits	3,045,031	3,168	-	-	17,471	3,065,670	2,984,733
Travel	1,705,887	-	-	-	-	1,705,887	1,915,828
Training and recruitment	91,853	-	-	-	-	91,853	120,346
Building occupancy	714,944	-	-	-	10,000	724,944	593,299
Interest on long-term debt	259,663	-	-	-	-	259,663	265,774
Purchased Services - non-case related	160,109	-	-	17,000	-	177,109	123,405
Purchased Services - case related	1,210,530	83,600	-	-	-	1,294,130	1,524,352
Boarding rates	13,773,325	-	-	-	-	13,773,325	13,332,693
Client personal needs	1,405,173	-	337,234	-	-	1,742,407	1,529,169
Medical and related services	638,008	-	-	-	-	638,008	653,316
Promotion and publicity	34,148	-	-	-	-	34,148	35,210
Office	428,633	-	-	-	-	428,633	434,507
Technology	271,404	-	-	-	-	271,404	204,059
Miscellaneous	251,666	-	-	-	-	251,666	270,530
	38,889,226	183,600	337,234	17,000	114,825	39,541,885	38,288,285
Excess (deficit) of revenue over expenditures	193,764	-	-	-	-	193,764	109,340
Fund balances (deficit), beginning of year	(1,040,650)	-	-	-	-	(1,040,650)	(1,202,457)
Provincial subsidy for funding of prior year's deficit	(235,141)	-	-	-	-	(235,141)	496,945
Transfer for capital purchases	-	-	-	-	-	-	(260,970)
Repayment of long-term debt principal	(193,765)	-	-	-	-	(193,765)	(183,508)
Fund balances (deficit), end of year	\$ (1,275,792)	\$ -	\$ -	\$ -	\$ -	\$ (1,275,792)	\$ (1,040,650)