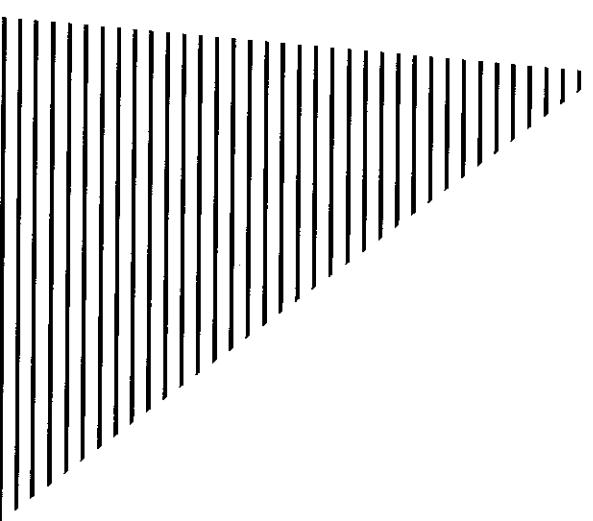


Financial Statements

The Catholic Children's Aid Society of Toronto
March 31, 2011



INDEPENDENT AUDITORS' REPORT

To the Members of
The Catholic Children's Aid Society of Toronto

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Catholic Children's Aid Society of Toronto**, which comprise the balance sheet as at March 31, 2011 and the statements of operations and fund balances 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 Catholic Children's Aid Society of Toronto** 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 15, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

The Catholic Children's Aid Society of Toronto

BALANCE SHEET

[in thousands of dollars]

As at March 31

	General Fund			Capital Fund			Total	
	2011	2010	2011	2010	2010	2011	2010	2010
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current								
Cash	4,781	3,453	—	—	—	4,781	3,453	
Cash and investments held in trust [note 3]	2,048	1,781	—	—	—	2,048	1,781	
Accounts receivable	1,040	574	—	—	—	1,040	574	
Grants receivable from Province of Ontario	509	583	—	—	—	509	583	
Grants receivable from Hope For Children Foundation [note 4]	425	281	—	—	—	425	281	
Prepaid expenses	824	658	—	—	—	824	658	
Investments [note 5]	—	—	4,653	4,330	—	4,653	4,330	
Total current assets	9,627	7,330	4,653	4,330	—	14,280	11,660	
Prepaid expenses	476	634	—	—	—	476	634	
Capital assets, net [note 6]	2,819	2,575	4,869	4,994	—	7,688	7,569	
	12,922	10,539	9,522	9,324	—	22,444	19,863	
LIABILITIES AND FUND BALANCES								
Current								
Due to caregivers	3,269	3,095	—	—	—	3,269	3,095	
Accounts payable and accrued liabilities	4,688	3,052	—	—	—	4,688	3,052	
Deferred contributions [notes 3 and 7]	1,082	1,026	—	—	—	1,082	1,026	
Due to Capital Fund (due from General Fund)	1,601	1,625	(1,601)	(1,625)	—	—	—	
Bank loan [note 8(a)]	—	—	140	164	—	140	164	
Total current liabilities	10,640	8,798	(1,461)	(1,461)	—	9,179	7,337	
In trust for children in care [note 3]	966	755	—	—	—	966	755	
Other accrued liabilities [note 9]	—	—	678	686	—	678	686	
Deferred capital contributions [note 10]	—	—	556	620	—	556	620	
Total liabilities	11,606	9,553	(227)	(155)	—	11,379	9,398	
Commitments and contingencies [notes 13 and 14]	—	—	—	—	—	—	—	
Unrestricted fund balances	1,316	986	9,749	9,479	—	11,065	10,465	
	12,922	10,539	9,522	9,324	—	22,444	19,863	

See accompanying notes

On behalf of the Board:



President



Treasurer

The Catholic Children's Aid Society of Toronto

STATEMENT OF OPERATIONS AND FUND BALANCES

[in thousands of dollars]

Year ended March 31

	General Fund		Capital Fund		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
REVENUE						
Province of Ontario	99,177	98,555	—	—	99,177	98,555
Government of Canada Children's Special Allowances	2,636	2,661	—	—	2,636	2,661
Hope For Children Foundation [note 4]	303	411	—	—	303	411
Investment income and other revenue	2,040	1,077	709	2,502	2,749	3,579
Amortization and write-off of deferred capital contributions	—	—	64	917	64	917
	104,156	102,704	773	3,419	104,929	106,123
EXPENSES						
Boarding rate payments	38,805	37,866	—	—	38,805	37,866
Child and family services						
Salaries and employee benefits [note 12]	43,541	43,231	—	—	43,541	43,231
Travel	2,812	2,767	—	—	2,812	2,767
Personal needs	2,835	2,242	—	—	2,835	2,242
Purchased services	751	648	—	—	751	648
Health and related	1,119	1,217	—	—	1,119	1,217
Financial assistance and special programs	648	629	—	—	648	629
	51,706	50,734	—	—	51,706	50,734
Administrative						
Salaries and employee benefits	6,637	6,758	—	—	6,637	6,758
Building occupancy	2,813	2,377	—	—	2,813	2,377
Office administration and other [note 4]	1,867	1,789	378	562	2,245	2,351
Information and purchased services	919	1,311	—	—	919	1,311
Amortization of capital assets	599	559	125	155	724	714
Training and recruitment	231	206	—	—	231	206
Promotion and publicity	249	207	—	—	249	207
	13,315	13,207	503	717	13,818	13,924
	103,826	101,807	503	717	104,329	102,524
Excess of revenue over expenses for the year	330	897	270	2,702	600	3,599
Fund balances, beginning of year	986	(259)	9,479	6,777	10,465	6,518
Funding for prior year deficit	—	348	—	—	—	348
Fund balances, end of year	1,316	986	9,749	9,479	11,065	10,465

See accompanying notes

The Catholic Children's Aid Society of Toronto

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	600	3,599
Funding for prior year deficit	—	348
Add (deduct) items not involving cash		
Amortization of capital assets	724	714
Amortization and write-off of deferred capital contributions	(64)	(917)
Unrealized gains on investments	(323)	(634)
Gain on disposal of capital assets	—	(1,586)
	<u>937</u>	<u>1,524</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(466)	93
Grants receivable from Province of Ontario	74	(18)
Grants receivable from Hope For Children Foundation	(144)	(24)
Prepaid expenses	(8)	249
Due to caregivers	174	297
Accounts payable and accrued liabilities	1,636	(1,289)
Other accrued liabilities	(8)	(10)
Cash provided by operating activities	<u>2,195</u>	<u>822</u>
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(843)	(1,410)
Proceeds on disposal of capital assets	—	2,477
Repayment of bank loan	(24)	(837)
Cash provided by (used in) investing and financing activities	<u>(867)</u>	<u>230</u>
Net increase in cash during the year	1,328	1,052
Cash, beginning of year	<u>3,453</u>	<u>2,401</u>
Cash, end of year	<u>4,781</u>	<u>3,453</u>

See accompanying notes

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

1. INCORPORATION AND CORPORATE ACTIVITIES

The Catholic Children's Aid Society of Toronto [the "Society" or "CCAS"] was incorporated in October 1894 and operates as a corporation without share capital under the Corporations Act (Ontario). On behalf of the Catholic Community of Toronto, the Society is committed to provide social services that protect children and youth and strengthen family life. The Society provides these services in fulfillment of its mandate under the Child and Family Services Act. The Society derives substantially all of its funding from the Province of Ontario.

The Society is a registered charity under the Income Tax Act (Canada) and is, therefore, exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The accounts of the Society are maintained in accordance with the principles of fund accounting, consistent with Canadian generally accepted accounting principles. With fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds in accordance with activities, objectives or restrictions specified. Funds with similar characteristics are combined into fund groups.

Income earned on fund investments is allocated to the specific fund for which the investments are held.

The General Fund is used to account for and report all of the Society's general operating activities which are funded principally by the Ministry of Children and Youth Services [the "Ministry"]. The Capital Fund is discretionary in nature and, with approval from the Board of Directors, may be used to fund items that are either capital or non-capital in nature.

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Investments and investment income

Investments in a Canadian capital management corporation's balanced pooled funds are valued based on the closing market value as at the fiscal year end. Publicly traded securities are valued based on the latest bid prices. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, and realized and unrealized gains and losses, is recorded in the statement of operations and fund balances when earned.

Revenue recognition

The Society follows the deferral method of accounting for revenue. Unrestricted contributions are recorded as received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are recognized.

Deferred capital contributions

Contributions received specifically for the purchase of capital assets which are amortized are deferred and amortized over the same terms and on the same basis as the related capital assets.

Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 years
Furniture and equipment	5 to 10 years
Computer hardware and software	3 years
Automobiles	5 years
Leasehold improvements	over the term of the lease

Pension plan

Contributions to a multi-employer defined benefit pension plan are expensed when due.

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

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 amounts reported in the financial statements. Actual results could differ from those estimates.

In particular, the net obligation and expense recognized relating to commodity taxes arising from transactions with independent outside pay institutions ["OPI's"] is open to significant estimate as a result of recent assessments made by the Canada Revenue Agency [the "CRA"] to various OPI's. The CRA has the authority to assess the Society and its vendors for the applicability of commodity tax. Since the outcome of these assessments is not determinable until after completion of the financial statements, the actual obligation may increase or decrease by a material amount subsequent to year end. The amount of obligation recognized in these financial statements represents management's best estimate of the expected payout under these assessments.

Financial instruments

The Society has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861, *Financial Instruments - Disclosure and Presentation*, in place of CICA 3862, *Financial Instruments - Disclosures*, and CICA 3863, *Financial Instruments - Presentation*.

The Society has designated its financial instruments as follows:

- Cash, cash and investments held in trust, and investments as held-for-trading
- Grants receivable as loans and receivables
- Accounts payable and accrued liabilities, due to caregivers, bank loan and other accrued liabilities as other liabilities

Future changes in accounting policies

In September 2010, the Public Sector Accounting Board ["PSAB"] approved the inclusion of the 4400 series from the CICA Handbook – Accounting into the Public Sector Accounting ["PSA"] Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards were renumbered Sections PS4200 to PS4270. The PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with the PS4200 series of standards or the PSA Handbook without the PS4200 series of standards. The Society is required to adopt these standards effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Society is currently evaluating the impact of adopting these standards.

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

3. CASH AND INVESTMENTS HELD IN TRUST

On behalf of children in the care of the Society, the Society holds cash and investments in trust as directed by the Ministry. The cash and investments held in trust is comprised of the following:

	2011	2010
	\$	\$
Universal Child Care Benefit	966	755
Ontario Child Benefit equivalent [note 7]	1,082	1,026
	<u>2,048</u>	<u>1,781</u>

4. HOPE FOR CHILDREN FOUNDATION

The Hope For Children Foundation [the "Foundation"] serves the Society by raising funds to support programs and activities not funded by governments. The Foundation is incorporated without share capital under the laws of Ontario and is a registered public charitable foundation under the Income Tax Act (Canada). The Foundation is a separate legal entity, with separately reported results which are not consolidated with those of the Society. The Society's Capital Fund assumes the Foundation's administrative and development expenses according to agreements negotiated by the Society and the Foundation. The Society currently controls the Foundation through its control over operations.

All related party transactions with the Foundation are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Society recognized \$303 [2010 - \$411] in revenue related to Foundation grants and the Society's Capital Fund bore \$165 [2010 - \$165] of the Foundation's administration and development expenses. Grants receivable from the Foundation as at March 31, 2011 were \$425 [2010 - \$281].

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

As at March 31, 2011, selected financial information related to the Foundation is as follows:

	2011	2010
	\$	\$
Balance sheet		
Assets	1,456	1,164
Liabilities	435	299
Net assets	1,021	865
Statement of operations		
Revenue	949	948
Expenses	793	968
Excess (deficiency) of revenue over expenses for the year	156	(20)
Statement of cash flows		
Cash provided by (used in) operating activities	255	(63)
Cash used in investing activities	(15)	(37)
Net increase (decrease) in cash during the year	240	(100)

5. INVESTMENTS

Investments consist of units in a Canadian capital management corporation's balanced pooled fund. The assets of the fund are held in Canadian equities [24%], U.S. and other foreign equities [37%], bonds [36%] and short-term notes and other [3%].

The investments are carried at fair value. The Society is subject to market, interest rate and foreign currency risks with respect to its investments.

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

6. CAPITAL ASSETS

Capital assets consist of the following:

	2011		2010	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	3,553	—	3,553	—
Buildings	3,179	1,838	3,179	1,710
Furniture and equipment	1,018	381	1,117	576
Computer hardware and software	1,050	472	904	655
Automobiles	78	78	78	70
Leasehold improvements	2,941	1,362	2,841	1,092
	11,819	4,131	11,672	4,103
Less accumulated amortization	4,131		4,103	
Net book value	7,688		7,569	

7. DEFERRED CONTRIBUTIONS

Deferred contributions relate to funding received under the Ontario Child Benefit equivalent program ["OCBe"]. The program provides opportunities to children and youth in care to participate in recreational, educational, cultural and social activities and establishes a savings program for youth in care with an objective to achieve better outcomes in higher education, a higher degree of resiliency and a smoother transition to adulthood. The activity of the program is as follows:

	2011 \$	2010 \$
OCBe fund balance, beginning of year	1,026	421
Annual funding	874	825
Expenditures	(818)	(220)
OCBe fund balance, end of year	1,082	1,026

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

8. BANK LOAN AND CREDIT FACILITY

- [a] As at March 31, 2011, the outstanding balance on the bank loan for the property at 122 Keewatin Avenue, Toronto was \$140 [2010 - \$164], with repayment terms of \$2 per month, plus interest, at the rate of prime plus 0.5% amortized over a 6.8-year period. The bank's prime rate at March 31, 2011 was 3% [2010 - 2.25%]. This credit facility is collateralized by a general security agreement on the assets of the Society.
- [b] As at March 31, 2011, the Society has an unsecured line of credit of \$8,000 with a major Canadian chartered bank [2010 - \$7,000]. No interest costs were incurred with respect to this facility for the year ended March 31, 2011.

9. OTHER ACCRUED LIABILITIES

Included in other accrued liabilities is the retirement supplement provided to various retired former employees of the Society. During the year, management conducted a review of the retirement supplements provided by the Society for specified retired employees. This review resulted in a change in the retirement supplements liability to \$678 [2010 - \$686].

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2011	2010
	\$	\$
Balance, beginning of year	620	1,537
Amortization and write-off of deferred capital contributions	(64)	(917)
Balance, end of year	556	620

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

11. CHILD WELFARE PROGRAM FUNDING AS REPORTED TO THE MINISTRY

Program funding as reported to the Ministry consists of the following:

	2011	2010
	\$	\$
Excess of revenue over expenses	330	897
Add amortization of capital assets	493	415
Deduct assets capitalized	(843)	(1,410)
Add vacation pay accrued	—	52
Child Welfare Program deficiency of revenue over expenses as reported to the Ministry	(20)	(46)

12. PENSION PLAN

Substantially all employees of the Society are eligible to be members of the Ontario Municipal Employees' Retirement Plan [the "Plan"] which is a multi-employer defined benefit pension plan. The most recent actuarial valuation of the Plan as at December 31, 2008 indicates that the Plan is fully funded. Employer contributions made to the plan for the year ended March 31, 2011 amounted to \$3,134 [2010 - \$3,111].

13. LEASE COMMITMENTS

The Society has entered into certain operating lease agreements for its premises and office equipment. The future minimum annual lease payments under these agreements are as follows:

	\$
2012	759
2013	764
2014	682
2015	691
2016	701
Thereafter	3,909
	<u>7,506</u>

The Catholic Children's Aid Society of Toronto

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

14. CONTINGENCIES

The Society has been named as a co-defendant in lawsuits, some of which are not covered by insurance. Some of these actions remain at the preliminary stages and, therefore, management and counsel are unable to provide estimates as to the outcomes of these claims. When a reasonable estimate can be determined regarding the outcome of a case, an appropriate reserve, if required, is reflected in the financial statements. Should the Society be found liable for any amount in addition to what has been determined by management as a result of such claims, such loss would be recorded in the period in which it is incurred. CCAS has insurance to cover the majority of legal claims.

15. FINANCIAL INSTRUMENTS

The fair values of the Society's financial instruments approximate their carrying values unless otherwise noted.

16. CAPITAL MANAGEMENT

In managing capital, the Society focuses on liquid resources available for operations. The Society's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Society has an available line of credit of \$8,000 that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures [note 8[b]]. As at March 31, 2011, the Society has met its objective of having sufficient liquid resources to meet its current obligations.