

Halton Children's Aid Society
Financial Statements
For the year ended March 31, 2011

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To the Members of
Halton Children's Aid Society

Independent Auditors' Report

Report on the Financial Statements

We have audited the financial statements of Halton Children's Aid Society, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and changes in 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Halton Children's Aid Society as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 10, 2011

SB Partners LLP

Chartered Accountants
Licensed Public Accountants

Halton Children's Aid Society
Statement of Financial Position
March 31, 2011

| | Operating Fund | Capital Asset Fund | 2011 | 2010 |
|---|----------------|--------------------|--------------|--------------|
| Assets | | | | |
| Current assets | | | | |
| Short-term investments | \$ - | \$ - | \$ - | \$ 40,339 |
| Accounts receivable (Note 3) | 533,656 | - | 533,656 | 180,078 |
| Prepaid expenses | 169,358 | - | 169,358 | 99,775 |
| | 703,014 | - | 703,014 | 320,192 |
| Capital assets (Note 4) | - | 2,231,833 | 2,231,833 | 1,934,032 |
| | \$ 703,014 | \$ 2,231,833 | \$ 2,934,847 | \$ 2,254,224 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Bank indebtedness (Note 5) | \$ 76,099 | \$ - | \$ 76,099 | \$ 51,214 |
| Accounts payable and accrued liabilities | 1,356,685 | - | 1,356,685 | 993,220 |
| Other current liabilities (Note 6) | 207,747 | - | 207,747 | 213,033 |
| | 1,640,531 | - | 1,640,531 | 1,257,467 |
| Interfund balances | 682,919 | (682,919) | - | - |
| Deferred capital lease inducement (Note 7) | 527,923 | - | 527,923 | 569,060 |
| Deferred capital funding (Note 8) | - | 1,076,175 | 1,076,175 | 696,935 |
| | 2,851,373 | 393,256 | 3,244,629 | 2,523,462 |
| Fund balances | | | | |
| Unrestricted | (2,148,359) | - | (2,148,359) | (2,148,117) |
| Invested in capital assets | - | 1,838,577 | 1,838,577 | 1,878,879 |
| | (2,148,359) | 1,838,577 | (309,782) | (269,238) |
| | \$ 703,014 | \$ 2,231,833 | \$ 2,934,847 | \$ 2,254,224 |

Approved on Behalf of the Board

Director

Director

The accompanying notes are an integral part of the financial statements.

Halton Children's Aid Society
Statement of Changes in Fund Balances
Year Ended March 31, 2011

| | Operating Fund | Capital Fund | 2011 | 2010 |
|--|-----------------------|---------------------|---------------------|---------------------|
| Fund balances, beginning of year | \$ (2,148,117) | \$ 1,878,879 | \$ (269,238) | \$ 487,891 |
| Deficiency of revenues over expenses | (242) | (40,302) | (40,544) | (757,129) |
| Purchase of capital assets | (503,729) | 503,729 | - | - |
| Proceeds from deferred capital funding | 503,729 | (503,729) | - | - |
| Fund balance, end of year | \$ (2,148,359) | \$ 1,838,577 | \$ (309,782) | \$ (269,238) |

The accompanying notes are an integral part of the financial statements.

Halton Children's Aid Society

Statement of Operations

Year Ended March 31, 2011

| | Child Welfare | Bridging the Gap | Capital Fund | 2011 | 2010 |
|---|-------------------|---------------------|--------------------|--------------------|---------------------|
| Revenue | | | | | |
| Provincial grant revenue | \$ 16,827,837 | \$ - | \$ - | \$ 16,827,837 | \$ 16,387,356 |
| Other revenue | 648,094 | 522,535 | - | 1,170,629 | 1,310,231 |
| Amortization of deferred capital funding | - | - | 124,489 | 124,489 | 125,269 |
| Amortization of deferred capital lease inducement | - | - | 41,137 | 41,137 | 41,137 |
| | 17,475,931 | 522,535 | 165,626 | 18,164,092 | 17,863,993 |
| Expenses | | | | | |
| Salaries | 7,273,941 | 267,276 | - | 7,541,217 | 7,945,017 |
| Employee benefits | 1,623,188 | 60,209 | - | 1,683,397 | 1,657,470 |
| Travel | 496,382 | 18,347 | - | 514,729 | 587,242 |
| Training, education and conference | 68,512 | 255 | - | 68,767 | 31,456 |
| Building occupancy | 522,544 | 58,187 | - | 580,731 | 503,405 |
| Amortization of capital assets | - | - | 205,928 | 205,928 | 206,537 |
| Purchased services - non-client | 86,004 | 16,502 | - | 102,506 | 104,424 |
| Program expenses | 246,727 | 68,303 | - | 315,030 | 177,161 |
| Boarding rate payments | 5,593,629 | - | - | 5,593,629 | 5,669,740 |
| Purchased services - client | 357,869 | - | - | 357,869 | 428,334 |
| Client's personal needs | 578,707 | 3,836 | - | 582,543 | 621,964 |
| Health and allied services | 338,163 | 354 | - | 338,517 | 315,187 |
| Financial assistance | 12,013 | 1,275 | - | 13,288 | 43,066 |
| Advertising and promotion | 25,794 | 4,013 | - | 29,807 | 26,732 |
| Office and postage | 35,506 | 11,361 | - | 46,867 | 40,160 |
| Other operating expenses | 115,679 | 8,500 | - | 124,179 | 124,902 |
| Computer | 101,273 | 4,359 | - | 105,632 | 138,325 |
| | 17,475,931 | 522,777 | 205,928 | 18,204,636 | 18,621,122 |
| Deficiency of revenues over expenses | \$ - | \$ (242) | \$ (40,302) | \$ (40,544) | \$ (757,129) |

The accompanying notes are an integral part of the financial statements.

Halton Children's Aid Society

Statement of Cash Flows

Year Ended March 31, 2011

| | 2011 | 2010 |
|--|-------------|--------------|
| Cash flows from operating activities | | |
| Deficiency of revenues over expenses | \$ (40,544) | \$ (757,129) |
| Amortization of capital assets | 205,928 | 206,537 |
| Amortization of deferred capital funding | (124,489) | (125,269) |
| Amortization of deferred capital lease inducement | (41,137) | (41,137) |
| | (242) | (716,998) |
| Net change in accounts receivable | (353,578) | 296,223 |
| Net change in accounts payable and accrued liabilities | 363,465 | (114,564) |
| Net change in other operating working capital balances | (74,869) | 117,498 |
| | | |
| Cash flows used in operating activities | (65,224) | (417,841) |
| | | |
| Cash flows from financing activities | | |
| Increase in bank indebtedness | 24,885 | 51,214 |
| Proceeds from deferred capital funding | 503,729 | 32,790 |
| | | |
| Cash flows from financing activities | 528,614 | 84,004 |
| | | |
| Cash flows from investing activities | | |
| Proceeds on disposal of investments | 40,339 | 212 |
| Purchase of capital assets | (503,729) | (34,504) |
| | | |
| Cash flows used in investing activities | (463,390) | (34,292) |
| | | |
| Net decrease in cash and cash equivalents | - | (368,129) |
| Cash and cash equivalents, beginning of year | - | 368,129 |
| | | |
| Cash and cash equivalents, end of year | \$ - | \$ - |

The accompanying notes are an integral part of the financial statements.

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

1. Nature of operations

The purpose of the Halton Children's Aid Society (the "Society") is to fulfill the mandate of the Child and Family Services Act within its specified territorial jurisdiction of the Regional Municipality of Halton. Its mission is the promotion of excellence in child welfare. Its intended community of service covers those children under the age of sixteen years within its jurisdiction whose circumstances require the intervention of the community as defined by the Act, or those who are in its care or otherwise under its supervision. The Society is designated as a Children's Aid Society under the Act. Further, it is incorporated under the Corporations Act as a "corporation without share capital" and is a registered charity under the Income Tax Act.

2. Significant accounting policies

Basis of accounting

The financial statements of the Society have been prepared in accordance with Canadian generally accepted accounting principles within the framework of significant accounting policies summarized below:

Fund Accounting

The Society follows the deferral method of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into the following funds: the Operating fund and the Capital fund.

The Operating fund consists of Child Welfare activities and Bridging the Gap activities. Child Welfare activities are those supported by the Ministry of Children and Youth Services (the "Ministry") and reflects the activities for which the Society is accountable under the Child and Family Services Act RSO 1990. Bridging the Gap activities are performed in accordance with specified contribution agreements with the Regional Municipality of Halton and other sponsors.

The Capital fund accounts for all funds expended and available for the acquisition of capital assets. Capital fund contributions are appropriated by the Board and, as such, are internally restricted for the exclusive use of such activities.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less from the date of acquisition.

Revenue recognition

Provincial grants received in excess of operating expenses are recorded as amounts due to the Ministry. Provincial grants are subject to review by the Ministry and adjustments, if any, arising therefrom are reflected as an adjustment to revenue in the period of such adjustments. Contributions received from the Regional Municipality of Halton are received on a cost recovery basis and are recorded as revenues in the period in which the expenses are incurred.

Revenue from donations and fundraising activities is recorded when received. Restricted contributions are recorded as deferred revenue and recognized as revenue when the related expenses occur.

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

2. Significant accounting policies (cont'd.)

Investments

Short-term investments consist of Guaranteed Investment Certificates and are stated at fair value.

Capital assets and amortization

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided as follows:

| | |
|------------------------|-----------------------------|
| Building | 20 year straight-line |
| Computer equipment | 3 year straight-line |
| Computer software | 3 year straight-line |
| Furniture and fixtures | 10 year straight-line |
| Building | Term of lease straight-line |
| Vehicles | 5 year straight-line |

Deferred capital funding

Deferred capital funding consists of government grants which are received on account of capital and are deferred and amortized on a straight-line basis at rates corresponding to those of the related capital assets.

Contributed services

These financial statements do not reflect the substantial value of services contributed by volunteers, foster parents, and other interested parties because the fair market value of such services are not readily available.

Income taxes

The Society is a non-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

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 revenues and expense during the period. Actual results could differ from those estimates.

Financial instruments

The Society has designated its cash and cash equivalents as held for trading, which are measured at fair value. Short-term investments are classified as available-for-sale, which are measured at fair value with unrealized gains and losses recognized in the statement of changes in fund balances. Accounts receivable and due from the Ministry of Children and Youth Services 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. All realized gains and losses on financial instruments are recognized in the statement of operations.

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

2. Significant accounting policies (cont'd.)

Future accounting standards

The Canadian Accounting Standards Board (AcSB) has recently issued Part III of the CICA Handbook – Accounting (Handbook) as accounting for not-for-profit organizations in the private sector. Part III will include existing standards currently in the '4400 series' of standards in Part V of the Handbook, additional standards and amendments, and new accounting standards for private enterprises to the extent that they would apply to not-for-profit organizations. The AcSB also permits not-for-profit organizations to apply International Financial Reporting Standards which are in Part I of the Handbook. The standards will apply to annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Society is currently assessing the impact of these accounting standards on its financial statements.

3. Accounts receivable

| | 2011 | 2010 |
|--|------------------|------------------|
| Accounts receivable | \$ 67,111 | \$ 14,138 |
| Due from the Ministry of Children and Youth Services | 59,743 | 14,732 |
| Due from the Regional Municipality of Halton | 184,515 | 92,044 |
| H.S.T. recoverable | 222,287 | 59,164 |
| | <hr/> \$ 533,656 | <hr/> \$ 180,078 |

4. Capital assets

| | Cost | Accumulated Amortization | 2011 | 2010 |
|------------------------|--------------------|-----------------------------|--------------------|--------------------|
| Land | \$ 55,000 | \$ - | \$ 55,000 | \$ 50,000 |
| Building | 1,086,271 | 219,281 | 866,990 | 606,178 |
| Computer equipment | 207,556 | 98,707 | 108,849 | 52,768 |
| Computer software | 78,085 | 64,316 | 13,769 | 33,188 |
| Furniture and fixtures | 378,495 | 121,046 | 257,449 | 275,591 |
| Leasehold improvements | 1,033,031 | 140,692 | 892,339 | 903,141 |
| Vehicles | 67,231 | 29,794 | 37,437 | 13,166 |
| | <hr/> \$ 2,905,669 | <hr/> \$ 673,836 | <hr/> \$ 2,231,833 | <hr/> \$ 1,934,032 |

5. Bank indebtedness

The Society has an operating line of credit, with a maximum limit of \$1,000,000 which bears interest at bank prime plus 0.5%. The operating line is unsecured and there are no margin requirements or borrowing covenants on this credit facility. As of March 31, 2011, there was \$56,000 (2010 - \$33,000) drawn on this credit facility.

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

6. Other current liabilities

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Registered Education Savings Plans (RESP) contributions payable | \$ 28,600 | \$ 28,200 |
| Ontario Child Benefit equivalent (OCBe) Pooled Funds | 44,594 | 108,706 |
| OCBe savings payable | 134,553 | 76,127 |
| | <u>\$ 207,747</u> | <u>\$ 213,033</u> |

RESP contributions payable represent funds received from the Federal Government which are to be used to establish RESP's for children within the Society's care. A total of \$13,400 (2010 - \$16,800) was received in the year and a total of \$13,000 (2010 - \$48,800) was transferred to RESP's established for such children during the year.

OCBe pooled funds represent funds received from the Ministry prescribed for various recreational, educational, cultural and social activities for youth in care. A total of \$139,889 (2010 - \$71,169) was received and a total of \$204,001 (2010 - \$48,112) were disbursed during the year.

OCBe savings payable represent funds received from the Ministry prescribed for the use of supporting the transition of youth in care to independent living. OCBe saving funds are received by the Society while such youth are between the ages of 15 to 17 and are payable to the youth only after they have satisfied the requirements of the savings program.

7. Deferred capital lease inducement

| | 2011 | 2010 |
|---|-------------------|-------------------|
| Lease inducement, beginning of year | \$ 569,060 | \$ 610,197 |
| Less: amortization of deferred lease inducement | (41,137) | (41,137) |
| | <u>\$ 527,923</u> | <u>\$ 569,060</u> |

The Society signed a fifteen year lease for its Burlington office which expires in January 2024. The landlord has given the Society a lease inducement to be used for leasehold improvements for \$617,053. This amount is being amortized straight-line over the term of the lease.

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

8. Deferred capital funding

| | 2011 | 2010 |
|--|---------------------|-------------------|
| Balance, beginning of year | \$ 696,935 | \$ 789,414 |
| Deferred capital funding - grants | 503,729 | 32,790 |
| Amortization of deferred capital funding | (124,489) | (125,269) |
| Balance, end of year | \$ 1,076,175 | \$ 696,935 |

In 2010, the Society entered into a contribution agreement with the Regional Municipality of Halton for the Homeless Partnering Initiative program, a program to develop transitional housing units for homeless youth. The Society was provided a forgivable, interest bearing loan of up to \$300,000 towards the acquisition costs and \$55,000 towards the renovation costs for the purchase of a transitional housing facility.

On April 30, 2010, the Society purchased a transitional housing facility in Milton for \$300,000. The Society incurred additional cost for renovations, fixtures and equipment totaling \$33,652. Of this amount, a total of \$305,930 was capitalized as deferred capital funding and \$27,722 was recognized as income for funding of other non-capital renovation costs.

The loan carries certain terms and conditions as described in Note 11.

9. Capital disclosures

The Society considers its capital to be the balance maintained in its fund balances. The primary objective of the Society is to invest its capital in a manner that will allow it to continue as a going concern and to achieve its mandate as stated in Note 1. Capital is invested under the direction of the Board of Directors with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Society is not subject to any externally imposed requirements of its capital.

10. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

| | |
|-------------------|---------------------|
| 2012 | \$ 385,346 |
| 2013 | 379,126 |
| 2014 | 384,045 |
| 2015 | 416,694 |
| 2016 | 416,133 |
| Thereafter | 3,409,139 |
| | \$ 5,390,483 |

Halton Children's Aid Society

Notes to Financial Statements

Year Ended March 31, 2011

11. Contingencies and commitments

The Society is subject to claims arising in the normal course of operations. It is not possible for the Society to predict with any certainty the outcomes of such claims. Management is of the opinion that based on the information presently available, it is unlikely that any liability, to the extent not covered by insurance or inclusion in the financial statements, would be material to the Society's financial position.

During the current year, the Regional Municipality of Halton provided the Society with a forgivable loan totaling \$333,652 to purchase a transitional housing facility in Milton. The loan provided has been accounted for as deferred capital funding, as described in Note 8. The loan agreement stipulates that the loan will be forgiven on April 30, 2020 provided that the Society has not defaulted on the service guidelines within the agreement. In the event of a default, the Society will be required to pay to the Regional Municipality of Halton the loan amount plus any increase in the fair market value of the facility to the date of the default. Management is of the opinion that the Society will meet all future obligations and commitments in connection with the service guidelines under this agreement.

12. Pension plan

The Society participates in the Ontario Municipal Employees Retirement System (OMERS) contributory defined benefit pension plan, providing pension benefits to most of its employees.

The pension expense for the year amounted to \$587,351 (2010 - \$570,110).

13. Financial instruments

The Society's financial instruments consist of short-term investments, accounts receivable, due from the Ministry of Children and Youth Services and the Regional Municipality of Halton, bank indebtedness, accounts payable and accrued liabilities and other current liabilities. The fair value of these instruments approximates their carrying value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks.