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MADAME VANIER CHILDREN'S SERVICES

Financial Statements

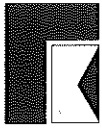
Year ended March 31, 2011

Michael J. Davies, BA, CA *
Thomas R. Getliffe, BA, CA *

PARTNERS:
Paul H. King, BComm, CA *
David J. Raines, BA, CA *
Werner Schmidt, BMath, CA *

Michael A. Scott, BMath, CA *
John E. Van Osch, BMath, CA *

** practicing through a professional corporation*



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Madame Vanier Children's Services

We have audited the accompanying financial statements of Madame Vanier Children's Services which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets 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 controls 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.

Basis for Qualified Opinion

In common with many charitable organizations, Madame Vanier Children's Services derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Madame Vanier Children's Services and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditures, fund balances and cash flows.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Madame Vanier Children's Services 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.

London, Ontario
June 22, 2011

Ford Keast LLP
Chartered Accountants
Licensed Public Accountants

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MADAME VANIER CHILDREN'S SERVICES

Statement of Financial Position as at March 31, 2011

	Externally Restricted	Internally Restricted	Unrestricted Operating	2011	2010
ASSETS					
CURRENT					
Cash (Note 3)	\$ 54,371	\$ 24,808	\$ -	\$ 79,179	\$ 247,257
Accounts receivable	-	-	226,100	226,100	167,225
Government remittances receivable	-	5,151	36,497	41,648	720
Prepaid expenses	-	-	9,814	9,814	7,290
Due from operating fund	-	231,000	-	231,000	161,000
	54,371	260,959	272,411	587,741	583,492
Capital assets (Note 4)	-	97,578	492,127	589,705	721,134
	\$ 54,371	\$ 358,537	\$ 764,538	\$ 1,177,446	\$ 1,304,626
LIABILITIES					
CURRENT					
Bank indebtedness (Note 5)	\$ -	\$ -	\$ 206,018	\$ 206,018	\$ 194,796
Accounts payable and accrued liabilities	-	15,702	225,464	241,166	228,849
Due to internally restricted fund	-	-	231,000	231,000	161,000
Deferred contributions (Note 6)	49,371	-	-	49,371	59,883
	49,371	15,702	662,482	727,555	644,528
Deferred contributions related to capital assets (Note 6)	-	-	335,821	335,821	429,546
NET ASSETS (DEFICIT):					
Externally restricted	5,000	-	-	5,000	5,000
Internally restricted	-	342,835	-	342,835	343,218
Unrestricted operating	-	-	(233,765)	(233,765)	(117,666)
	5,000	342,835	(233,765)	114,070	230,552
	\$ 54,371	\$ 358,537	\$ 764,538	\$ 1,177,446	\$ 1,304,626

MADAME VANIER CHILDREN'S SERVICES

Statement of Changes in Net Assets (Deficit)
Year ended March 31, 2011

	Externally Restricted	Internally Restricted	Unrestricted Operating	2011	2010
Balance - beginning of year	\$ 5,000	\$ 465,190	\$ (239,638)	\$ 230,550	\$ 196,598
Excess (deficiency) of revenue over expenses	-	(122,355)	5,873	(116,482)	33,952
Balance, end of year	\$ 5,000	\$ 342,835	\$ (233,765)	\$ 114,068	\$ 230,550

MADAME VANIER CHILDREN'S SERVICES

Statement of Operations
Year ended March 31, 2011

	Externally Restricted	Internally Restricted	Unrestricted Operating	2011	2010
REVENUES (SCHEDULE)	\$ 158,913	\$ 78,074	\$ 7,420,476	\$ 7,657,463	\$ 7,132,303
EXPENSES					
Salaries	-	-	5,216,102	5,216,102	4,721,763
Employee benefits	-	-	852,631	852,631	789,611
Building occupancy	-	-	286,947	286,947	328,393
Professional services					
Agency	-	-	242,469	242,469	200,306
Client	-	-	81,425	81,425	75,651
Office administration	-	-	168,696	168,696	159,879
Program expenses	158,913	176,035	28,513	363,461	302,646
Amortization	-	24,394	107,035	131,429	131,469
Utilities	-	-	88,788	88,788	77,666
Food services	-	-	86,661	86,661	74,315
Staff travel	-	-	66,784	66,784	69,816
Clients' personal needs	-	-	53,691	53,691	42,496
Staff training	-	-	50,372	50,372	37,298
Board expenses	-	-	21,544	21,544	19,530
Promotion and publicity	-	-	20,749	20,749	31,348
Membership dues	-	-	18,491	18,491	18,307
Automotive	-	-	23,705	23,705	17,857
	158,913	200,429	7,414,603	7,773,945	7,098,351
Excess (deficiency) of revenues over expenses	\$ -	\$ (122,355)	\$ 5,873	\$ (116,482)	\$ 33,952

MADAME VANIER CHILDREN'S SERVICES

Schedule to Statement of Operations

Year ended March 31, 2011

	Externally Restricted	Internally Restricted	Unrestricted Operating	2011	2010
REVENUE					
Ontario Ministry of Children and Youth Services	\$ -	\$ -	\$ 5,203,159	\$ 5,203,159	\$ 5,192,861
Children's Aid Societies	-	-	1,269,470	1,269,470	886,339
Community Services					
Co-ordination Network	-	-	752,414	752,414	396,007
Donations and fundraising	45,528	75,673	-	121,201	276,915
Grants and other	113,385	542	1,684	115,611	210,010
Other Programs, HST rebate and interest	-	1,859	100,024	101,883	88,655
Amortization of deferred contributions related to capital assets	-	-	93,725	93,725	81,516
	\$ 158,913	\$ 78,074	\$ 7,420,476	\$ 7,657,463	\$ 7,132,303

MADAME VANIER CHILDREN'S SERVICES

Statement of Cash Flows
Year ended March 31, 2011

	2011	2010
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (116,482)	\$ 33,952
Add (deduct) non-cash items:		
Amortization	131,429	131,469
Amortization of deferred contributions related to capital assets	(93,725)	(81,516)
Change in non-cash working capital items related to operations (Note 9)	(100,522)	(231,164)
	<u>(179,300)</u>	<u>(147,259)</u>
INVESTING ACTIVITIES		
Proceeds from disposals of investments	-	25,000
Payment received on note receivable	-	119,923
	<u>-</u>	<u>144,923</u>
DECREASE IN CASH DURING THE YEAR	(179,300)	(2,336)
Cash, beginning of year	52,461	54,797
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ (126,839)	\$ 52,461
REPRESENTED BY:		
Cash	\$ 79,179	\$ 247,257
Bank indebtedness	(206,018)	(194,796)
	<u>\$ (126,839)</u>	<u>\$ 52,461</u>

MADAME VANIER CHILDREN'S SERVICES

Notes to Financial Statements

March 31, 2011

1. DESCRIPTION OF THE ORGANIZATION

Madame Vanier Children's Services is a non-profit children's mental health centre incorporated under the Ontario Business Corporations Act. Madame Vanier is a registered charity as designated by the Income Tax Act (Canada) as such is exempt from taxes on income.

The mission statement is:

To help children to reach their full potential by working with the child and family's unique strengths, needs and culture to prevent or reduce serious mental health problems.

PROPOSED AMALGAMATION

During the year, Madame Vanier Children's Services agreed in principle to amalgamate with Western Area Youth Services Inc., Craigwood Youth Services, and Oxford Elgin Child & Youth Centre. The organizations have been engaged in a due diligence process to verify the feasibility of amalgamating and define the nature and structure of the proposed new entity. On June 21, 2011, the four Boards of Directors will be receiving a report on the results of this process and will be making a final decision on whether or not to proceed with the amalgamation. The target date for the amalgamation to take effect is set as April 1, 2012.

The ultimate goal of this amalgamation is better service for children, youth, and families located in the Southwestern Ontario region; through the combination of the four organizations' resources, the Boards of Directors and management anticipate that a more integrated service system will be created that will be easier for families to access and navigate. The organizations' primary provincial government funders have been made aware of the proposed amalgamation and all of the Ontario ministries involved have committed to engaging in an ongoing dialogue as the amalgamation process unfolds. Communication with various endowment fund trustees has also begun to ensure that important stakeholders of Madame Vanier Children's Services are aware of the planned direction of Madame Vanier Children's Services, and the intended uses of endowment funds continues as required.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

Revenue Recognition

Madame Vanier Children's Services follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions covering specific operational periods are recognized as revenue on a prorated basis over the operational period. All other unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue and expenses related to program delivery and administration activities are reported as operating.

Fundraising revenue and related program expenses are reported as internally restricted. Internally restricted contributions are recognized as revenue when received.

MADAME VANIER CHILDREN'S SERVICES

Notes to Financial Statements

March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Externally restricted contributions are recognized as revenue in the year in which the conditions of restriction have been fulfilled. Revenue and expenses are reported as externally restricted. An endowment contribution of \$5,000 is included in these contributions.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Capital asset purchases having a useful life of greater than one year or which substantially extend the useful life of an existing capital asset are capitalized. Capital assets are amortized on a straight-line basis using the following annual rates:

Building	3.33%
Furniture & Equipment	10 %
Computer	25 %
Vehicles	25 %
Playground	10 %

Investments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. Fair value items that are short-term in nature such as the investments are classified as "held for trading". All other financial assets and liabilities are carried at amortized cost using the effective interest method.

Contributed Services

Volunteers contribute many hours per year to assist Madame Vanier Children's Services in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

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 amount 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 period. Actual results could differ from those estimated.

3. INVESTMENTS

	2011	2010
High interest savings account, for endowment purposes	\$ 5,000	\$ 5,000

MADAME VANIER CHILDREN'S SERVICES

Notes to Financial Statements
March 31, 2011

4. CAPITAL ASSETS

Operating:

	Cost	Accumulated Amortization	Net	
			2011	2010
Land	\$ 162,999	\$ -	\$ 162,999	\$ 162,999
Building	2,529,705	2,209,588	320,117	404,356
Furniture & Equipment	227,964	218,953	9,011	31,807
Computer	441,218	441,218	-	-
Vehicles	48,995	48,995	-	-
	<u>\$ 3,410,881</u>	<u>\$ 2,918,754</u>	<u>\$ 492,127</u>	<u>\$ 599,162</u>

Internally Restricted:

	Cost	Accumulated Amortization	Net	
			2011	2010
Playground	\$ 243,942	\$ 146,364	\$ 97,578	\$ 121,972

5. BANK INDEBTEDNESS

The bank indebtedness is secured by a general security agreement. Madame Vanier Children's Services has an authorized credit line of \$200,000. Interest is charged at prime plus 2.5% per annum.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent funding restricted for program expenditures in a future period. Changes in the deferred contribution balances are as follows:

	Opening 2010	Received	Expenditures	Ending 2011
Parent Mentoring (HOPE)	\$ 6,265	\$ 28,060	\$ 19,453	\$ 14,872
Focused Family Therapy	32,578	43,180	62,549	13,209
Early Intervention	9,145	-	-	9,145
Prevention & Maintenance of Aggressive Behaviour	6,205	-	-	6,205
Tapp Fund	2,536	-	-	2,536
Professional development	2,504	-	-	2,504
School Community Intervention Partnership	650	850	600	900
	<u>\$ 59,883</u>	<u>\$ 72,090</u>	<u>\$ 82,602</u>	<u>\$ 49,371</u>

MADAME VANIER CHILDREN'S SERVICES

Notes to Financial Statements

March 31, 2011

DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted contributions which were used to upgrade building, equipment and computers. The funding is amortized to revenue in accordance with the capital asset amortization policy. The changes in the deferred contributions are as follows:

	2011	2010
Balance, beginning of year	\$ 429,546	\$ 511,062
Less amounts amortized to revenue	93,725	81,516
Balance, end of year	<u>\$ 335,821</u>	<u>\$ 429,546</u>

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The estimated fair values of the organization's financial current assets and liabilities, including cash, accounts receivable, advances to/from operating fund, bank indebtedness, and accounts payable approximate their carrying value due to their short-term maturity dates.

The organization is exposed to interest rate risk on it's bank indebtedness. This risk is dependant upon the change in future interest rates.

Unless otherwise noted, the organization's financial instruments do not expose the organization to significant currency or credit risk.

8. CAPITAL MANAGEMENT

Madame Vanier Children's Services defines capital as net assets. Madame Vanier Children's Services objectives, when managing capital are to develop and maintain a financial model which supports the strategic directions of Madame Vanier Children's Services, and safeguards Madame Vanier Children's Services ability to continue to provide grants to qualified donees.

In order to manage the capital, Madame Vanier Children's Services and its board of directors regularly monitors and assesses its financial performance to ensure its capital is appropriately maintained.

Madame Vanier Children's Services is not subject to any externally imposed capital requirements other than those recorded in the externally restricted fund.

MADAME VANIER CHILDREN'S SERVICES

Notes to Financial Statements

March 31, 2011

9. STATEMENT OF CASH FLOWS

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2011	2010
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ (58,875)	\$ 30,604
Prepaid expenses	(2,524)	(1,957)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	12,337	(177,079)
Government remittances receivable	(40,948)	2,660
Deferred contributions	(10,512)	(85,392)
Net change	<u>\$ (100,522)</u>	<u>\$ (231,164)</u>
Supplementary Information		
Cash paid for interest	\$ 3,830	\$ 3,470

10. RECLASSIFICATIONS

Certain of the comparative figures for the preceding year have been reclassified to conform with the statement presentation adopted for the current year.