

First Nations of Northern Manitoba Child and Family Services Authority
Financial Statements
March 31, 2011

Independent Auditors' Report

To the Directors of First Nations of Northern Manitoba Child and Family Services Authority:

We have audited the accompanying financial statements of First Nations of Northern Manitoba Child and Family Services Authority, 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.

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 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 First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

September 29, 2011

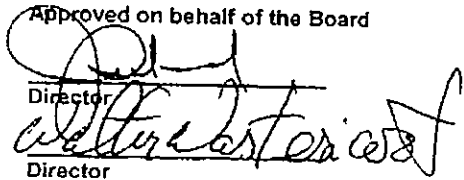
MNP LLP
Chartered Accountants

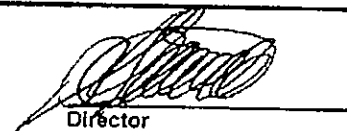
First Nations of Northern Manitoba Child and Family Services Authority
Statement of Financial Position

As at March 31, 2011

	2011	2010
Assets		
Current		
Cash		
Marketable securities (Note 4)	630,327	539,741
Accounts receivable (Note 5)	784,686	780,063
Prepaid expenses and deposits	1,025,196	1,600,388
	12,696	8,237
	2,452,905	2,928,429
Capital assets (Note 6)	92,565	51,155
Working capital receivable from agencies	2,009,696	1,059,596
	4,555,166	4,039,180
Liabilities		
Current		
Accounts payable and accruals	1,162,601	1,108,554
Working capital payable to Province of Manitoba	2,009,696	1,059,596
	3,172,297	2,168,150
Net Assets		
Unrestricted		
Internally restricted (Note 8)	164,035	375,695
Externally restricted (Note 9)	775,945	940,945
Invested in capital assets	350,435	503,235
	92,454	51,155
	1,382,869	1,871,030
	4,555,166	4,039,180

Approved on behalf of the Board


 Director
 Director


 Director

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Financial Position

As at March 31, 2011

	2011	2010
Assets		
Current		
Cash	630,327	539,741
Marketable securities (Note 4)	784,686	780,063
Accounts receivable (Note 5)	1,025,196	1,600,388
Prepaid expenses and deposits	12,696	8,237
	2,452,905	2,928,429
Capital assets (Note 6)	92,565	51,155
Working capital receivable from agencies	2,009,696	1,059,596
	4,555,166	4,039,180
Liabilities		
Current		
Accounts payable and accruals	1,162,601	1,108,554
Working capital payable to Province of Manitoba	2,009,696	1,059,596
	3,172,297	2,168,150
Net Assets		
Unrestricted	164,035	375,695
Internally restricted (Note 8)	775,945	940,945
Externally restricted (Note 9)	350,435	503,235
Invested in capital assets	92,454	51,155
	1,382,869	1,871,030
	4,555,166	4,039,180

Approved on behalf of the Board

Director

Director

Director

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Operations
For the year ended March 31, 2011

	2011	2010
Revenue		
Province of Manitoba	15,077,634	15,977,476
Other	250,836	237,400
Interest	4,623	3,044
Revenue deferred from prior period	-	167,452
Total revenue	15,333,093	16,385,372
Expenses		
Agency financial review	-	241,429
Amortization	78,379	61,358
Annual general meeting	37,543	12,536
Audit	9,878	6,950
Bank and service fees	1,856	4,605
Board Expenses	10,754	10,862
Board Honorarium	54,520	35,893
Board expenses	11,123	10,819
Changes for children	74,280	38,939
Differential response	468,700	476,870
Family Innovation fund	31,276	339,723
IT support	34,816	38,408
Insurance	18,750	16,357
Janitorial	8,915	7,260
Meeting expenses	27,394	20,848
Membership fees	3,299	1,496
Office supplies	33,212	37,456
Payments to agencies	11,940,976	12,149,710
Payments to authorities	-	21,400
Payroll processing	4,351	2,309
Postage	2,540	1,385
Printing and stationary	13,121	5,321
Professional development	8,031	3,448
Professional fees	429,054	400,541
Recruitment costs	5,218	10,773
Rent	122,642	53,127
Repairs and maintenance	621	1,347
Repatriation	1,019	12,868
Salaries and benefits	1,959,758	1,724,753
Special projects	16,575	-
Telephone	37,895	29,324
Training and education	41,022	143,625
Travel	333,736	338,257
Total expenses	15,821,254	16,259,997
Excess (deficiency) of revenue over expenses	(488,161)	125,375

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Changes in Net Assets

For the year ended March 31, 2011

	<i>Unrestricted</i>	<i>Internally restricted</i>	<i>Externally restricted</i>	<i>Invested in capital assets</i>	2011	2010
Net assets, beginning of year, as previously stated	375,695	940,945	503,235	51,155	1,871,030	1,721,655
Correction of an error	-	-	-	-	-	24,000
Net assets, beginning of year as restated	375,695	940,945	503,235	51,155	1,871,030	1,745,655
Excess (deficiency) of revenue over expenses	(488,161)	-	-	-	(488,161)	125,375
Amortization of capital assets	78,379	-	-	(78,379)	-	-
Purchase of capital assets	(119,678)	-	-	119,678	-	-
Transfer of surplus	317,800	(165,000)	(152,800)	-	-	-
Net assets, end of year	164,035	775,945	350,435	92,454	1,382,869	1,871,030

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority
Statement of Cash Flows
For the year ended March 31, 2011

	2011	2010
Cash provided by (used for) the following activities		
Operating activities		
Excess (deficiency) of revenues over expenses	(488,161)	125,375
Amortization	78,379	61,358
	(409,782)	186,733
Changes in working capital accounts		
Accounts receivable	575,081	(768,544)
Prepaid expenses and deposits	(4,459)	50,502
Accounts payable and accruals	54,047	338,066
Deferred contributions	-	(167,452)
	214,887	(360,695)
Investing activities		
Purchase of capital assets	(119,678)	(21,007)
Increase (decrease) in cash resources	95,209	(381,702)
Cash resources, beginning of year	1,319,804	1,701,506
Cash resources, end of year	1,415,013	1,319,804
Cash resources are composed of:		
Cash	630,327	539,741
Marketable securities	784,686	780,063
	1,415,013	1,319,804
Supplementary cash flow information		
Interest received	4,623	3,044

The accompanying notes are an integral part of these financial statements

First Nations of Northern Manitoba Child and Family Services Authority

Notes to the Financial Statements

For the year ended March 31, 2011

1. Incorporation and operations

The First Nations of Northern Manitoba Child and Family Services Authority ("the Northern Authority") has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Northern Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nations, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Northern Authority is exempt from income taxes under Section 149(1)(1) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Act came into force upon proclamation. Proclamation occurred on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. Significant accounting policies

The financial statements of the Northern Authority have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Northern Authority 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 are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Northern Authority funding from the Province of Manitoba is recognized when earned.

Other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	3 years
Computer software	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2011

2. **Significant accounting policies** *(Continued from previous page)*

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 period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the periods in which they become known.

Capital disclosures

The Northern Authority's capital consists of net assets.

The Northern Authority's capital management policy is to maintain sufficient capital in net assets to meet its objectives and meet short term capital needs through working capital advances from the Province of Manitoba. There were no changes in the Northern Authority's approach to capital management during the 2011 fiscal year.

The Northern Authority is not subject to externally imposed capital requirements.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Northern Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in excess (deficiency) of revenue over expenses for the year.

3. **Financial instruments**

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on a financial instrument's classification.

Financial instruments are classified into one of the following five categories; held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2011

3. **Financial instruments** *(Continued from previous page)*

The financial assets and liabilities of the Northern Authority are classified and measured as follows:

<u>Financial asset/liability</u>	<u>Category</u>	<u>Subsequent measurement</u>
Cash and marketable securities	Held for trading	Fair value
Accounts receivable from the Province	Loans and receivable	Amortized cost
Working capital receivable from agencies	Loans and receivable	Amortized cost
Accounts receivable	Loans and receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Working capital payable to the Province	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations for the current period.

Fair value of financial instruments

The fair value of accounts receivable from the Province, working capital receivable from agencies, accounts receivable, accounts payable and accrued liabilities and working capital payable to the Province approximate their carrying values due to their relatively short term maturity.

Financial risk management

The Northern Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and interest risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Northern Authority to credit risk consist principally of cash, marketable securities and accounts receivable.

The maximum exposure of the Northern Authority to credit risk as at March 31, 2011, is \$1,069,857 (2010 - \$1,600,388).

Accounts receivable: The Northern Authority is not exposed to significant credit risk since the receivables are with agencies and Province of Manitoba.

Liquidity Risk

Liquidity risk is the risk that the Northern Authority will not be able to meet its financial obligations as they come due.

The Northern Authority manages liquidity risk by balancing its cash flow requirements through its available working capital payable and its cash balance. Regular determinations of the Northern Authority's working capital payable and cash requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Northern Authority to meet its obligations as they come due.

Market Risk

The Northern Authority is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Northern Authority is exposed to is interest rate risk.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2011

3. **Financial instruments** *(Continued from previous page)*

Interest rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Northern Authority arises from its interest bearing assets, which include marketable securities that earn interest at market rates.

The Northern Authority manages its exposures to the interest rate risk of its marketable securities by maximizing the interest income earned on excess funds while maintaining liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on marketable securities do not have significant impact on the Northern Authority's results of operations.

4. **Marketable securities**

	2011	2010
Royal Bank of Canada Money Market Fund	784,686	780,063

5. **Accounts receivable**

	2011	2010
GST Receivable	54,628	36,911
Province of Manitoba	644,893	1,316,662
Other	325,675	246,815
	1,025,196	1,600,388

6. **Capital assets**

	Cost	Accumulated amortization	2011 Net book value
Computer equipment	153,480	121,129	32,351
Computer software	23,135	18,057	5,078
Furniture and fixtures	61,043	54,110	6,933
Office equipment	123,547	84,092	39,455
Leasehold improvements	9,720	972	8,748
	370,925	278,360	92,565

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2011

8. Capital assets *(Continued from previous page)*

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2010 Net book value</i>
Computer equipment	88,951	80,724	8,227
Computer software	20,646	13,792	6,854
Furniture and fixtures	43,343	31,924	11,419
Office equipment	98,308	73,653	24,655
	251,248	200,093	51,155

7. Accounts payable and accruals

	<i>2011</i>	<i>2010</i>
Accounts payable	1,082,718	1,080,745
Accruals	79,882	27,809
	1,162,600	1,108,554

8. Internally Restricted Net Assets

The Board approved the following internal restrictions:

	<i>2011</i>	<i>2010</i>
Copier replacement	9,270	9,270
Furniture replacement	9,270	9,270
Furniture, computers and equipment	80,368	80,368
Repatriation	22,132	22,132
Authority and agency development	300,000	300,000
Joint training unit	79,905	79,905
Northern office renovations	50,000	50,000
Community Relations Specialist position	120,000	120,000
Executive Assistant term position	35,000	70,000
IT support	20,000	50,000
Legal expenses	-	100,000
Winnipeg office	50,000	50,000
	775,945	940,945

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2011

9. Externally Restricted Net Assets

Externally restricted net assets represents the unspent portion of Transition Grant Funding received from the Province of Manitoba. The grant is to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Northern Authority and to assist Family Service Agencies in extending their operations and have the ability to accept the scheduled transfer of cases. In the year ended March 31, 2010 the Province of Manitoba authorized the use of Externally Restricted Net Assets of \$316,777 over three years to establish a presence in Northern Manitoba.

	2011	2010
Authority development	136,480	186,480
The Pas Northern office	34,060	34,060
Thompson Northern office	179,895	282,695
	350,435	503,235

10. Economic dependence

First Nations of Northern Manitoba Child and Family Services Authority is solely dependent on the Province of Manitoba for revenue to fund its operations.

11. Commitments

The Northern Authority has entered into a five year lease for one of their premises that expires on January 31, 2012. Under the lease, the Northern Authority is required to pay a base annual rent of \$39,963.

During the year, the Northern Authority entered into a five year lease for a second premises that expires April 30, 2015. Under the lease, the Northern Authority is required to pay a base annual rent of \$62,400.

Total commitments over the next five years are as follows:

2012	102,363
2013	62,400
2014	62,400
2015	62,400
2016	5,200
	294,763