

First Nations of Northern Manitoba Child and Family Services Authority
Financial Statements
March 31, 2012

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, 2012 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 audits. 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, 2012 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

January 19, 2013

MNP LLP
Chartered Accountants

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

As at March 31, 2012

	2012	2011
Assets		
Current		
Cash	279,295	630,327
Marketable securities (Note 4)	789,886	784,686
Accounts receivable (Note 5)	7,828,399	1,025,196
Prepaid expenses and deposits	7,424	12,696
	8,905,004	2,452,905
Capital assets (Note 6)	138,141	92,565
Working capital receivable from agencies	2,448,124	2,009,696
	11,491,269	4,555,166
Liabilities		
Current		
Accounts payable and accruals (Note 7)	8,035,890	1,162,601
Working capital payable to Province of Manitoba	2,448,124	2,009,696
	10,484,014	3,172,297
Net Assets		
Unrestricted	114,525	164,035
Internally restricted (Note 8)	532,524	775,945
Externally restricted (Note 9)	222,065	350,435
Invested in capital assets	138,141	92,454
	1,007,255	1,382,869
	11,491,269	4,555,166

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, 2012

	2012	2011
Revenue		
Province of Manitoba	21,829,610	15,077,634
Other	592	250,836
Interest	5,402	4,623
	21,835,604	15,333,093
Expenses		
Amortization	91,715	78,379
Annual general meeting	13,400	37,543
Audit	12,146	9,878
Bad debts	180,031	-
Bank and service fees	2,118	1,856
Board Expenses	5,595	10,754
Board Honorarium	54,743	54,520
Board expenses	28,926	11,123
Changes for children	-	74,280
Differential response	-	468,700
Donations	8,659	-
Family Innovation fund	-	31,276
IT support	42,976	34,816
Insurance	20,350	18,750
Janitorial	9,812	8,915
Meeting expenses	8,126	27,394
Membership fees	7,858	3,299
Office supplies	34,200	33,212
Payments to agencies	19,084,206	11,940,976
Payroll processing	5,249	4,351
Postage	2,399	2,540
Printing and stationary	5,036	13,121
Professional development	3,862	8,031
Professional fees	387,373	429,054
Recruitment costs	26,334	5,218
Rent	121,458	122,642
Repairs and maintenance	306	621
Repatriation	-	1,019
Salaries and benefits	1,719,845	1,959,758
Special projects	10,990	16,575
Telephone	35,757	37,895
Training and education	45,143	41,022
Travel	242,605	333,736
	22,211,218	15,821,254
Deficiency of revenue over expenses	(375,614)	(488,161)

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, 2012

	<i>Unrestricted</i>	<i>Internally restricted</i>	<i>Externally restricted</i>	<i>Invested in capital assets</i>	<i>2012</i>	<i>2011</i>
Net assets, beginning of year	164,035	775,945	350,435	92,454	1,382,869	1,871,030
Deficiency of revenue over expenses	(375,614)	-	-	-	(375,614)	(488,161)
Amortization of capital assets	91,715	-	-	(91,715)	-	-
Purchase of capital assets	(137,402)	-	-	137,402	-	-
Interfund transfers	371,791	(243,421)	(128,370)	-	-	-
Net assets (deficit), end of year	114,525	532,524	222,065	138,141	1,007,255	1,382,869

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, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Deficiency of revenues over expenses	(375,614)	(488,161)
Amortization	91,715	78,379
Bad debts	180,031	-
	(103,868)	(409,782)
Changes in working capital accounts		
Accounts receivable	(4,673,770)	575,081
Prepaid expenses and deposits	5,272	(4,459)
Accounts payable and accruals	4,563,936	54,047
	(208,430)	214,887
Financing activities		
Working capital receivable from agencies	(438,428)	(950,100)
Working capital payable to Province of Manitoba	438,428	950,100
	-	-
Investing activities		
Purchase of capital assets	(137,402)	(119,678)
Increase (decrease) in cash resources	(345,832)	95,209
Cash resources, beginning of year	1,415,013	1,319,804
Cash resources, end of year	1,069,181	1,415,013
Cash resources are composed of:		
Cash	279,295	630,327
Marketable securities	789,886	784,686
	1,069,181	1,415,013
Supplementary cash flow information		
Interest received	5,402	4,623

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, 2012

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.

	<i>Rate</i>
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.

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 the statement of operations in the periods in which they become known.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2012

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

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 the statement of operations for the year.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the "4400 series" of standards, which discusses the accounting for the unique circumstances of not-for-profit organizations (NFPO), from the CICA Handbook-Accounting into the CICA Public Sector Accounting Handbook ("PSA Handbook"). This set of standards will be appropriately modified to fit with public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, all GNFPOs will have the option to apply either the PSA Handbook with or without the NFPO standards. Earlier adoption is permitted. The Northern Authority expects to adopt the PSA Handbook without the NFPO standards. The Northern Authority has not yet determined the impact of the adoption of the new standards on its financial statements.

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.

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	Loans and receivable	Amortized cost
Working capital receivable from agencies	Loans and receivable	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Working capital payable to Province of Manitoba	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, working capital receivable from agencies, accounts payable and accruals and working capital payable to Province of Manitoba approximate their carrying values due to their relatively short term maturity.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2012

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

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, 2012, is \$1,069,181 (2011 - \$1,415,013).

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.

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**

	2012	2011
Royal Bank of Canada Money Market Fund	789,886	784,686

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2012

5. Accounts receivable

	2012	2011
GST Receivable	57,001	54,628
Province of Manitoba	7,568,313	644,893
Other	383,116	325,675
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Allowance for doubtful accounts	8,008,430	1,025,196
	(180,031)	-
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	7,828,399	1,025,196

The allowance for doubtful accounts relates to the Province of Manitoba unilateral claw back of \$180,031 on June 21, 2012. The Northern Authority is disputing this decision notwithstanding its sole dependence on the Province of Manitoba for revenue to fund its operations.

The Province of Manitoba accounts receivable include a total of \$6,497,223 that relates to provincial retroactive funding adjustments in relation to agency payments for 2010-2011 and 2011-2012 fiscal years. Retroactive funding was paid by the Province subsequent to March 31, 2012 once each agency's 5-year business plan was approved.

6. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2012 Net book value</i>
Computer equipment	267,568	172,408	95,160
Computer software	25,651	22,936	2,715
Furniture and fixtures	61,043	61,043	-
Office equipment	144,344	110,882	33,462
Leasehold improvements	9,720	2,916	6,804
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	508,326	370,185	138,141

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2011 Net book value</i>
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
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	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, 2012

7. **Accounts payable and accruals**

	2012	2011
Accounts payable	109,720	45,876
Accruals	98,306	79,882
Accounts payable to agencies	7,827,864	1,036,843
	8,035,890	1,162,601

8. **Internally Restricted Net Assets**

The Board approved the following internal restrictions:

	2012	2011
Capital assets	61,506	198,908
Unfunded positions	100,000	155,000
Repatriation	21,113	22,132
Education and training	79,905	79,905
Authority and agency development	270,000	320,000
	532,524	775,945

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.

	2012	2011
Authority development	136,480	136,480
The Pas Northern office	8,020	34,060
Thompson Northern office	77,565	179,895
	222,065	350,435

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.

First Nations of Northern Manitoba Child and Family Services Authority
Notes to the Financial Statements
For the year ended March 31, 2012

11. Commitments

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

During the year the Northern Authority entered into a five year lease for a additional office space that expires January 31, 2015. Under the lease, the Northern Authority is required to pay a base annual rent of \$45,780.

Total commitments over the next five years are as follows:

2013	108,180
2014	108,180
2015	100,550
2016	5,200
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	322,110

12. Capital disclosure

The Northern Authority's capital consists of net assets.

The Northern Authority' capital management policy is to maintain sufficient capital net assets to meet its objectives and meet short term capital needs through working capital advances form the Province of Manitoba. There were no changes in the Northern Authority's approach to capital management during 2012 fiscal year.

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

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.