

THE TERESA GROUP - CHILD AND FAMILY AID
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE TERESA GROUP - CHILD AND FAMILY AID

Report on the Financial Statements

We have audited the accompanying financial statements of The Teresa Group - Child and Family Aid (the "Agency"), which comprise the balance sheet as at March 31, 2012, and the statements of operating fund revenues and expenses, 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 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Agency receives donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts reported by the Agency and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, if any, the financial statements present fairly, in all material respects, the financial position of The Teresa Group - Child and Family Aid as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

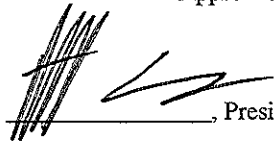
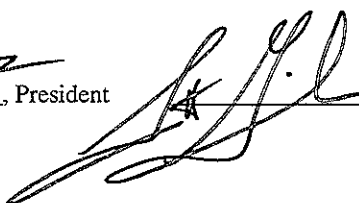
THE TERESA GROUP - CHILD AND FAMILY AID

BALANCE SHEET

AS AT MARCH 31, 2012

	2012	2011
ASSETS		
Current assets		
Cash (note 5)	\$ 1,067,149	\$ 896,542
Accounts and GST/HST receivable	47,667	28,704
Prepaid expenses	19,808	25,183
Prepaid CCABA International Coordination Projects expenses (note 5)	140,470	35,453
	<u>1,275,094</u>	<u>985,882</u>
Property and equipment (note 3)	116,196	18,238
	<u>1,391,290</u>	<u>1,004,120</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	127,737	73,430
Deferred contributions (note 4)	37,741	-
Deferred CCABA International Coordination Projects revenues (note 5)	421,829	259,588
	<u>587,307</u>	<u>333,018</u>
Deferred capital contributions (note 6)	15,969	4,478
	<u>603,276</u>	<u>337,496</u>
Net assets		
Operating fund	293,014	171,624
Contingency reserve	160,000	160,000
Reserve for Family Support and Leading the Way Programs	50,000	50,000
Reserve for Summer Camp Program	15,000	15,000
Reserve for Tutoring Program	30,000	30,000
Reserve for Volunteer Program	50,000	50,000
Reserve for Staff Travel	20,000	20,000
Reserve for Pre-School	150,000	150,000
Reserve for Scholarship	20,000	20,000
	<u>788,014</u>	<u>666,624</u>
	<u>\$ 1,391,290</u>	<u>\$ 1,004,120</u>

Approved on behalf of the Board:

 _____, President _____, Treasurer

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF OPERATING FUND REVENUES AND EXPENSES

YEAR ENDED MARCH 31, 2012

	2012			2011
	General Operations	CCABA International Coordination Projects	Total	Total
Revenues				
Funding from Ontario Ministry of Health and Long Term Care				
General operations (<i>note 7</i>)	\$ 267,328	\$ -	\$ 267,328	\$ 241,141
Special projects (<i>note 7</i>)	183,826	-	183,826	144,113
Public Health Agency of Canada (<i>Schedule</i>)	80,000	-	80,000	82,908
Human Resources and Skills Development Canada				
Summer Student	2,817	-	2,817	3,944
Leap for Success	67,735	-	67,735	71,740
City of Toronto grant	26,535	-	26,535	26,535
Circle of Care funding	88,772	-	88,772	-
Private sector donations - cash	410,563	-	410,563	326,720
- donations-in-kind	9,994	-	9,994	21,499
CCABA International coordination projects	-	481,378	481,378	716,685
Interest	11,076	-	11,076	8,459
Amortization of capital contributions (<i>note 6</i>)	3,079	-	3,079	2,715
Other	77,084	-	77,084	75,102
	1,228,809	481,378	1,710,187	1,721,561
Expenses				
General and administration (<i>note 8</i>)	68,087	-	68,087	65,706
Communication and education	47,713	-	47,713	40,441
Family support	453,773	-	453,773	375,120
Counselling	220,124	-	220,124	201,748
Volunteer recruitment, organization and training (<i>Schedule</i>)	80,000	-	80,000	82,908
Summer student	3,256	-	3,256	4,563
Board expenses	1,722	-	1,722	1,702
Amortization of capital assets	15,134	-	15,134	11,323
Fundraising	113,848	-	113,848	89,366
Donated goods	9,994	-	9,994	21,499
Let's Talk Program	-	-	-	22
Scholarships	8,023	-	8,023	9,827
CCABA International coordination projects	-	481,378	481,378	695,592
Tutoring Project	85,745	-	85,745	86,593
Loss on foreign exchange	-	-	-	7,511
	1,107,419	481,378	1,588,797	1,693,921
Excess of revenues over expenses for the year	\$ 121,390	\$ -	\$ 121,390	\$ 27,640

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2012

	Operating Fund										Total		
	Invested in Capital Assets	Unappropriated Balance	Total	Contingency Reserve	Family Support	Summer Camp	Tutoring	Volunteer Program	Staff Travel	Pre-school		Scholarship	2012
Balance - at beginning of year	\$ 13,762	\$ 157,862	\$ 171,624	\$ 160,000	\$ 50,000	\$ 15,000	\$ 30,000	\$ 50,000	\$ 20,000	\$ 150,000	\$ 20,000	\$ 666,624	\$ 638,984
Excess of revenues over expenses for the year	-	121,390	121,390	-	-	-	-	-	-	-	-	121,390	27,640
Inter-fund transfers represented by:													
Purchase of property and equipment	113,090	(113,090)	-	-	-	-	-	-	-	-	-	-	-
Amortization of property and equipment	(15,134)	15,134	-	-	-	-	-	-	-	-	-	-	-
Capital contributions received	(14,570)	14,570	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred capital contributions	3,979	(3,979)	-	-	-	-	-	-	-	-	-	-	-
Balance - at end of year	\$ 100,227	\$ 192,787	\$ 293,014	\$ 160,000	\$ 50,000	\$ 15,000	\$ 30,000	\$ 50,000	\$ 20,000	\$ 150,000	\$ 20,000	\$ 788,014	\$ 666,624

THE TERESA GROUP - CHILD AND FAMILY AID

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	2012	2011
Cash flows from operating activities		
Cash received from government sources	\$ 628,241	\$ 570,381
Cash received from other contributors	1,190,005	533,085
Interest received	11,076	8,459
Cash paid to employees and suppliers	(1,560,195)	(1,506,063)
	269,127	(394,138)
Cash flows from investing and financing activity		
Purchase of capital assets	(98,520)	(2,353)
Change in cash during the year	170,607	(396,491)
Cash - at beginning of year	896,542	1,293,033
Cash - at end of year	\$ 1,067,149	\$ 896,542

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

1. PURPOSE AND ORGANIZATION

The Teresa Group - Child and Family Aid (The Teresa Group) is a registered charitable organization incorporated without share capital under the laws of Ontario. The organization services an urgent need for assistance to families of children who are affected by HIV/AIDS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accrual method of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred.

Operations

The operating fund accounts for the day-to-day program delivery and administrative activities funded by various government and private sector organizations and the international symposium projects. All interest income earned is allocated to the operating fund.

The designated funds account for specific purpose activities and are financed by appropriations from the operating fund. The details of designated funds are as follows:

- (a) The Contingency Reserve Fund was established to help ensure the long term financial security of The Teresa Group.
- (b) The reserve for Family Support and Leading the Way programs fund is to ensure the continued operation of these programs.
- (c) The reserve for Summer Camp Program fund is to assist clients in attending local summer camps.
- (d) The reserve for the Tutoring Program is to assist children in achieving academic success.
- (e) The reserve for Volunteer Programs is designated to provide funding for volunteer programs in the event that current funding is not renewed.
- (f) The reserve for Staff Travel is to assist staff travel relating to the International Symposium.
- (g) The reserve for Preschool is designated to provided funding for the creation of a pre-school that will be focused for children with HIV/AIDs or HIV/AIDS related issues.
- (h) The reserve for Scholarship is to assist in the post secondary education of young adults with HIV/AIDs or HIV/AIDS related issues.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives on a straight line basis at the following annual rates:

Computers	- 25%
Furniture	- 10%
Leasehold improvements	- over the term of the lease

Revenue Recognition

The Teresa Group follows the deferral method of accounting for contributions. Contributions include funding from governments and other funding agencies. 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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Externally restricted contributions for depreciable property and equipment are deferred and amortized over the life of the related capital assets. Externally restricted capital asset contributions that have not been expended are recorded as deferred capital contributions on the balance sheet.

Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the period in which the related expenses are incurred.

Income from the International Symposium is recognized as revenue when the event takes place.

All other revenues are recognized when the income is earned, service is provided or when received. Pledges receivable are not recorded in the accounts.

Funding From Ontario Ministry of Health and Long Term Care

The Teresa Group receives its core funding from the Ontario Ministry of Health and Long Term Care. Funds are advanced on the basis of an approved budget; actual expenses are reviewed by the Ministry after the end of the fiscal year and any unexpended funds are to be refunded. These financial statements reflect the expected settlement with the Ministry at the end of the fiscal period.

Financial Instruments

Financial assets and liabilities include cash, accounts receivable and accounts payable and accrued liabilities. Cash is classified as held for trading and is measured at fair value. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

Donated Goods and Services

Donated goods are recorded in the financial statements provided that a reasonable estimate of fair value can be made.

Volunteers contribute significant amounts of time to assist The Teresa Group in carrying out its service delivery activities. Because of the difficulty in determining fair value, contributed services are not recorded in the financial statements.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Expenses

The Teresa Group provides programs to assist children and families affected by HIV/AIDS. The cost of these services include direct salaries and benefits and other expenses that are directly related to providing the programs and services. The organization also incurs general and administrative support services that are common to the administration and programs.

The Teresa Group allocates certain general support expenses to the programs as follows:

- | | |
|--------------------------|--|
| Human Resources | • Proportionately based on the direct salaries and benefits of the program |
| Occupancy | • Based on space occupied by the personnel and or program |
| Other operating expenses | • Based on usage of the program |

The expenses reported in the Statement of Operating Fund Revenues and Expenses for programs include allocations of human resources of \$482,647 (\$465,096 - 2011), occupancy costs of \$78,188 (\$65,231 - 2011) and other operating costs of \$29,345 (\$27,496 - 2011).

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Revenues and expenses are translated from foreign currencies at the rate of exchange prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates, the impact of which will be recorded in future periods.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

3. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>	
			<i>2012</i>	<i>2011</i>
Computers	\$ 58,740	\$ 53,426	\$ 5,314	\$ 7,351
Furniture and other equipment	45,528	32,178	13,350	8,099
Leasehold improvements	100,032	2,500	97,532	2,788
	<u>\$ 204,300</u>	<u>\$ 88,104</u>	<u>\$ 116,196</u>	<u>\$ 18,238</u>

During the year, the Teresa Group moved its administrative and program premises to a new location. As a result, leasehold improvements and telephone equipment at the old premises costing \$37,299 and having a net book value of \$1,371 were written off.

The total cost of the leasehold improvements and telephone equipment for the new premises amounted to \$106,965. These costs are funded by current operating funds and are being amortized over the term of the lease (see note 10 for details).

4. DEFERRED CONTRIBUTIONS

Deferred contributions represent the amount of funding received in the current fiscal year that is related to a subsequent fiscal year. Changes in deferred contributions balance are as follows:

	<i>2012</i>	<i>2011</i>
Opening balance	\$ -	\$ 10,405
Amount received during the year	37,741	-
Amount recognized as revenue during the year	-	(10,405)
Closing balance	<u>\$ 37,741</u>	<u>\$ -</u>

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

5. CCABA INTERNATIONAL CO-ORDINATION PROJECTS

The International Symposium is scheduled every two years with the next symposium to take place in July 2012. Certain revenues have been advanced to the Teresa Group and certain expenses have been incurred in preparation for this event. These are recorded on the balance sheet as deferred revenues and prepaid expenses respectively. Details of the amounts related to the International Symposium included on the balance sheet are as follows:

	2012	2011
Deferred International Symposium revenues		
Foundations	\$ 421,829	\$ 259,588
Prepaid International Symposium expenses		
Meeting costs, communications and other expenses	\$ 140,470	\$ 35,453

Cash includes an amount held in trust for the CCABA International Coordination projects in the amount of \$281,359 as at March 31, 2012 (\$224,135 as at March 31, 2011).

Accounts payable includes total payables for the International Symposium in the amount of \$37,258 (\$3,237 - 2011).

In planning the Symposium, the Teresa Group has reserved a block of hotel rooms. There may be a penalty and/or cancellation fees charged to the Teresa Group if the Symposium is cancelled outside of a specified time frame.

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property and equipment. The changes in deferred capital contributions are as follows:

	2012	2011
Balance - at beginning of year	\$ 4,478	\$ 7,193
Capital contributions received	14,570	-
Amortization of deferred capital contributions	(3,079)	(2,715)
Balance - at end of year	\$ 15,969	\$ 4,478

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

7. FUNDING FROM ONTARIO MINISTRY OF HEALTH AND LONG TERM CARE

In the 2012 fiscal year, actual expenses equalled or exceeded the approved funding from the Ontario Ministry of Health and Long Term Care, so that it is not anticipated that any portion will be refundable to the Ministry. Details of the approved funding and amounts spent are as follows:

	<i>Approved Funding</i>	<i>Amount Spent</i>
General operations		
Salaries	\$ 200,907	\$ 200,907
Benefits	10,780	10,780
Rent and utilities	45,344	45,344
Supplies and other expenses	9,297	9,297
Protected allocations	1,000	1,000
	<u>267,328</u>	<u>267,328</u>
Infant formula		
Formula	178,616	178,616
Salaries	4,867	4,867
Benefits	343	343
	<u>\$ 183,826</u>	<u>\$ 183,826</u>

8. GENERAL AND ADMINISTRATION EXPENSE

Details of these expenses are as follows:

	<i>2012</i>	<i>2011</i>
Salaries and benefits	\$ 44,555	\$ 43,564
Rent and hydro	3,191	2,895
Telephone and fax	4,856	4,819
Office supplies	2,400	1,422
Professional fees	3,360	2,832
Equipment maintenance	2,450	3,174
Insurance and bonding	4,882	4,907
Postage	1,015	818
Staff development	1,094	1,025
Miscellaneous	284	250
	<u>\$ 68,087</u>	<u>\$ 65,706</u>

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

9. LEASE COMMITMENT

The Teresa Group has entered into a lease for office premises, expiring December 31, 2021, with an option to renew for a further five years. The minimum annual rental payments are as follows:

2013	\$	39,702
2014		41,229
2015		45,810
2016		45,810
2017		45,810
Thereafter		242,030
	\$	<u>460,391</u>

In addition, The Teresa Group is liable to pay for its share of operating costs which amounted to approximately \$41,773 in 2012 (\$38,800 in 2011).

10. FINANCIAL INSTRUMENTS

The Teresa Group's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Teresa Group is not exposed to significant interest, credit or liquidity risks arising from these financial instruments.

Management estimates that the fair value of these financial instruments approximates their carrying values.

The Teresa Group is exposed to US/Canadian dollar exchange risk. The Teresa Group receives certain revenues in US dollars and pays certain expenses in US dollars.

11. CAPITAL MANAGEMENT

The Teresa Group considers its capital to be net assets. The Teresa Group's objective when managing capital is to safeguard its ability to continue as a going concern and to ensure that it has sufficient resources to provide its programs on behalf of its members. The Teresa Group manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets, working capital requirements and budgets its operations on a break-even basis so as to preserve its capital base.

THE TERESA GROUP - CHILD AND FAMILY AID

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

12. GUARANTEES AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Teresa Group has indemnified its past, present and future directors, officers and employees and volunteers against expenses (including legal expenses), judgments, suits or proceedings in which they are sued as a result of their involvement with The Teresa Group, if they acted honestly and in good faith with a view to the best interest of The Teresa Group. The Teresa Group has purchased directors' and officers' liability insurance with respect to this indemnification. The maximum amount of any potential future payment cannot be reasonably estimated; however, there have been no claims against The Teresa Group's liability insurance in the past.

In the normal course of business, The Teresa Group has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, The Teresa Group agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of The Teresa Group. The maximum amount of any potential liability cannot be reasonably estimated.

13. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has approved the incorporation of the standards set out in Part III of the CICA Handbook (Handbook) as the accounting standards applicable to not-for-profit organizations. First-time adoption of this Part of the Handbook is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012. A not-for-profit organization that prepares its financial statements in accordance with this Part of the Handbook states that they have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. A not-for-profit organization applying this Part of the Handbook also applies the standards for private enterprises in Part II of the Handbook to the extent that the Part II standards address topics not addressed in this Part.

Management is in the process of accessing the impact of these standards on its financial statements.

THE TERESA GROUP - CHILD AND FAMILY AID

SCHEDULE OF ACAP PROJECT REVENUE AND EXPENSES

PROGRAM NAME: CONTRIBUTION - HIV/AIDS COMMUNITY DEVELOPMENT

PROGRAM NUMBER: 6963-06-2002-4480449

YEAR ENDED MARCH 31, 2012

	<i>Budget</i>	<i>Actual</i>
Revenue		
Public Health Agency of Canada - ACAP - funding for operations	\$ 80,000	\$ 80,000
Expenses		
Personnel	62,032	62,032
Materials and equipment costs	3,390	3,451
Rent	10,973	10,973
Other	3,605	3,544
	80,000	80,000
Excess of revenue over expenses for the year	\$ -	\$ -