

**PROVIDENCE CHILD
DEVELOPMENT SOCIETY
FINANCIAL STATEMENTS
August 31, 2004**



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Associated with
Porter Héту International
Professional Services Group

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AUDITORS' REPORT

To the Members of Providence Child Development Society

We have audited the statement of financial position of Providence Child Development Society as at August 31, 2004, the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Certified General Accountants

Calgary, Alberta
January 6, 2005

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PROVIDENCE CHILD DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
As at August 31, 2004

	2004	2003
ASSETS		
CURRENT		
Cash	\$ 16,651	\$ 111,566
Accounts receivable	257,075	376,524
Prepaid expenses	35,445	35,249
	<u>309,171</u>	<u>523,339</u>
INVESTMENTS (note 3)	1,467,594	1,386,965
PROPERTY AND EQUIPMENT (note 4)	2,333,486	1,598,068
	<u>4,110,251</u>	<u>3,508,372</u>
LIABILITIES		
CURRENT		
Bank indebtedness	25,652	-
Demand loan (note 5)	440,000	-
Accounts payable and accrued liabilities	308,706	299,607
Current portion of long term debt	36,216	-
	<u>810,574</u>	<u>299,607</u>
LONG TERM DEBT (note 8)	460,837	-
DEFERRED CONTRIBUTIONS RELATED TO OPERATIONS (note 6)	21,681	54,636
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY & EQUIPMENT (note 7)	148,600	54,991
	<u>1,441,692</u>	<u>409,234</u>
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT RESTRICTED (note 10)	1,687,853	1,543,080
Property and equipment contingency fund	250,000	250,000
Research and development fund	25,000	25,000
New program initiative fund	985,577	990,000
Clinic fund	-	250,000
Mobile outreach services fund	100,000	100,000
Scholarship fund	25,000	25,000
Multicultural initiative fund	10,000	10,000
UNRESTRICTED	(414,871)	(93,942)
	<u>2,668,559</u>	<u>3,099,138</u>
	<u>\$ 4,110,251</u>	<u>\$ 3,508,372</u>

APPROVED ON BEHALF OF THE BOARD:

_____, Director

_____, Director



PROVIDENCE CHILD DEVELOPMENT SOCIETY
STATEMENT OF OPERATIONS
For the year ended August 31, 2004

	2004	2003
REVENUES		
Province of Alberta		
Alberta Learning - Early Childhood services	\$ 3,137,960	\$ 2,548,102
Calgary Rocky View Child and Family Services	312,200	330,267
Subsidy and operating allowance	36,360	64,898
Children with special needs	-	2,400
Student Health Initiative Funding	113,216	92,789
Alberta Children's Services	11,663	8,416
AISl funding	7,680	7,512
Fees	328,142	458,851
Donations	229,424	341,609
United Way	108,768	126,391
United Way - multicultural program	18,831	-
Interest income	9,493	18,871
Other	3,541	2,280
Parent development centre	-	7,452
Summer Employment / Experience Development	-	7,615
	<u>4,317,278</u>	<u>4,017,453</u>
EXPENSES		
Salaries and benefits	3,344,929	2,851,396
Operating costs	1,045,736	879,474
Amortization	214,553	171,068
Repairs and maintenance	47,785	25,208
Legal fees	10,901	4,628
Staff training	33,071	36,489
Insurance	36,986	31,650
Professional fees	13,897	18,708
	<u>4,747,858</u>	<u>4,018,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (430,580)	\$ (1,168)

PROVIDENCE CHILD DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
For Year Ended August 31, 2004

	Invested in Property & Equipment	Restricted funds							Unrestricted	2004	2003
		Multicultural Initiative	Property & equipment contingency	Research & development	New program initiative	Clinic	Mobile outreach services	Scholarship			
Balance, beginning of year	\$ 1,543,077	\$ 10,000	\$ 250,000	\$ 25,000	\$ 990,000	\$ 250,000	\$ 100,000	\$ 25,000	\$ (93,936)	\$ 3,099,139	\$ 3,100,307
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	(430,580)	(430,580)	(1,168)
Amortization of property & equipment	(214,553)	-	-	-	-	-	-	-	214,553	-	-
Investment in property & equipment	359,329	-	-	-	-	-	-	-	(359,329)	-	-
Transfers	-	-	-	-	(4,423)	(250,000)	-	-	254,423	-	-
Balance, end of year	\$ 1,687,853	\$ 10,000	\$ 250,000	\$ 25,000	\$ 985,577	\$ -	\$ 100,000	\$ 25,000	\$ (414,871)	\$ 2,668,559	\$ 3,099,139

PROVIDENCE CHILD DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
For the year ended August 31, 2004

	2004	2003
Cash provided by (used for) the following activities:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ (430,580)	\$ (1,168)
Add (deduct) items not requiring cash:		
Amortization	214,553	171,068
Amortization of deferred property and equipment contributions	(6,391)	(2,391)
	<u>(222,418)</u>	167,509
Change in non-cash working capital items:		
Decrease (Increase) in accounts receivable	119,449	(110,558)
(Increase) decrease in prepaid expenses	(195)	(7,678)
Increase in accounts payable and accrued liabilities	9,099	158,444
	<u>(94,065)</u>	207,717
INVESTING		
Purchase of property and equipment	<u>(949,971)</u>	(467,633)
	<u>(949,971)</u>	(467,633)
FINANCING		
Increase in long term debt	497,053	-
Increase in deferred contributions related to property and equipment	100,000	-
Decrease in deferred contributions related to operations	(32,955)	(31,920)
Increase in short term loans	440,000	-
(Decrease) increase in Investments	(80,629)	288,462
	<u>923,469</u>	256,542
NET INCREASE (DECREASE) IN CASH	(120,567)	(3,374)
CASH, BEGINNING OF YEAR	<u>111,566</u>	114,940
CASH, END OF YEAR	<u>\$ (9,001)</u>	<u>\$ 111,566</u>
CASH CONSISTS OF:		
Cash	\$ 16,651	\$ 111,566
Bank indebtedness	(25,652)	-
	<u>\$ (9,001)</u>	<u>\$ 111,566</u>



PROVIDENCE CHILD DEVELOPMENT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2004

1. PURPOSE OF THE ORGANIZATION

Providence Child Development Society (the "Society") provides educational and therapeutic programs for pre-school children with disabilities. The Society was incorporated under the Societies Act of Alberta as a not-for-profit organization and is a registered charity and therefore is not taxable under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions that are restricted for the purchase of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired asset. 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. Investment income is recognized as revenue when earned.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets estimated useful lives as follows:

Buildings	25 - 40 years
Equipment and furniture	2 - 10 years
Playground	6 years

Government assistance

Government contributions are received from Alberta Learning & Calgary Rocky View Child and Family Services. The revenues relating to the current year are included in the statement of operations. The Society must provide ECS and childcare programs to receive these contributions.

Contributed materials and services

Contributed materials and services are recognized when the fair values can be reasonably determined and they are used in the normal course of the Society's operations and would have otherwise been purchased. Volunteers contribute significant hours to assist the Society in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. A charge to earnings is made if there is a decline in value that is other than temporary.

Goods and services tax

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expenditure with the rebate treated as a receivable.



PROVIDENCE CHILD DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2004

3. INVESTMENTS

Investments are composed of marketable securities and term deposits as follows:

	2004	2003
Marketable securities, at cost (market value - \$537,276, 2003 - \$561,280)	\$ 493,039	\$ 562,410
Transamerica Life Canada, at cost (market value - \$335,252, 2003 - \$291,333)	824,555	824,555
GIC term deposit	150,000	-
	<u>\$ 1,467,594</u>	<u>\$ 1,386,965</u>

The Transamerica Life Canada decline in the quoted market value below carrying value has not been written down. Since the investment has a 100% guaranteed return on the deposit at the maturity date of March 12, 2010, and a death benefit guaranteed amount, both equal to the cost value. Management has indicated that the investment will not be disposed of before the guaranteed maturity date of March 12, 2010.

The GIC term deposit matures in June 2005 (\$50,000) and June 2006 (\$100,000). The amount is included as Royal Bank of Canada general security for the long term debt (see note 8).

4. PROPERTY AND EQUIPMENT

	2004		2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and buildings	\$ 3,094,281	\$ 1,062,226	\$ 2,032,055	\$ 1,269,186
Equipment and furnishings	1,008,161	759,619	248,542	257,995
Playground	322,743	269,854	52,889	70,887
	<u>\$ 4,425,185</u>	<u>\$ 2,091,699</u>	<u>\$ 2,333,486</u>	<u>\$ 1,598,068</u>

5. DEMAND LOAN

The Society has available a line of credit to a maximum of \$500,000 and bears interest at prime plus .25% per annum. The line of credit is secured by a general security agreement covering all present and future acquired property and accounts receivable.

6. DEFERRED CONTRIBUTIONS RELATED TO OPERATIONS

Funding payments received from Calgary Rocky View Child and Family Services related to programs to be provided in the subsequent fiscal year.

7. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributions which were contributed for the purchase of a passenger van. The contribution is being recognized as revenue on the same basis as the asset is amortized.

	2004	2003
Balance, beginning of year	\$ 54,991	\$ 57,382
Less - funds utilized during the period	(6,391)	(2,391)
Add - funds contributed during the period	100,000	-
Balance, end of year	<u>\$ 148,600</u>	<u>\$ 54,991</u>

During the year the Society received \$100,000 from an anonymous donor towards the renovations and construction of the pediatric medical clinic. The Society must operate the pediatric medical clinic for a period of five years of the date of substantial completion, otherwise, a prorated amount must be repaid.



PROVIDENCE CHILD DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
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8. LONG TERM DEBT

Royal Bank of Canada variable term loan repayable in monthly payments of \$4,700 including interest at prime plus 0.25% per annum. Secured by a general security agreement covering all present and after acquired property, accounts receivable and a GIC of \$150,000 held as collateral. The term loan matures September 2015.

	2004	2003
	\$ 497,053	\$ -
Less: current portion	36,216	-
	<u>\$ 460,837</u>	<u>\$ -</u>

Principal repayments required for each of the next five years, given current interest rates, are estimated as follows:

2005	36,216
2006	37,766
2007	39,384
2008	41,070
2008	42,828
Thereafter	299,789

9. RELATED PARTY TRANSACTIONS

Included in property and equipment for the year ended August 31, 2004 is \$234,370 (2003 - \$94,933) paid to a company owned by a director for renovations performed on the building. The initial contract was awarded prior to the director's appointment to the Board and is valued at the exchange amount being the amount agreed to between the parties. Subsequent contracts will be awarded through a competitive bidding process. The director may continue to submit bids, but does not participate in the evaluation of the bids or the decision to award the contract.

10. RESTRICTED FUNDS

The Society's Board of Directors has numerous restricted funds detailed in the statement of changes in net assets. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. During the year, the Board of Directors approved the transfer of \$250,000 from the Clinic account to the Unrestricted account to continue to provide renovations for new Pediatric clinic at Providence Centre.

In addition, the Board of Directors approved the transfer of \$4,423 from the New Program Initiative Fund to the Unrestricted Fund to be used to explore new programs.

11. COMMITMENTS

At August 31, 2004, there are three leases expiring from June 2005 to July 2009, relating to premises used for pre-school special education. The aggregate annual rent commitment is as follows:

2005	\$	120,474
2006		99,360
2007		99,360
2008		99,360
2009		99,360



PROVIDENCE CHILD DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2004

12. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, accounts receivable, investments, bank indebtedness, demand loan, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, except investments, the fair value of which is disclosed in note 3.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation. The prior year was audited by another professional accounting firm.

