

CHOICES FOR YOUTH INC.
Financial Statements
Year Ended March 31, 2020

CHOICES FOR YOUTH INC.
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Year Ended March 31, 2020

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Independent Auditor's Report

To the Directors of Choices for Youth Inc.:

Qualified Opinion

We have audited the financial statements of Choices for Youth Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements of the Organization for the year ended March 31, 2019 were audited by Winsor Coombs of Mount Pearl, Newfoundland and Labrador, Canada, prior to its merger with MNP LLP. Winsor Coombs expressed a qualified opinion on those statements on September 10, 2020 for the reasons described in the Basis for Qualified opinion paragraph.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mount Pearl, Newfoundland

July 29, 2020

MNP LLP

Chartered Professional Accountants

CHOICES FOR YOUTH INC.
Statement of Revenues and Expenses
Year Ended March 31, 2020

| | 2020 | 2019 |
|---|--------------------|--------------------|
| REVENUES | | |
| Government of Newfoundland and Labrador | \$ 3,140,798 | \$ 3,140,798 |
| Employment and Social Development Canada (Note 5) | 2,582,600 | 2,091,677 |
| Donations, Fundraising and Miscellaneous Income | 549,442 | 677,976 |
| Social Enterprise (Note 6) | 499,799 | 528,566 |
| Rent | 310,446 | 309,171 |
| Eastern Health | 258,053 | 262,860 |
| Amortization of Deferred Government Assistance | 242,901 | 248,874 |
| City of St. John's | 204,566 | 343,648 |
| Interest | 19,906 | 14,619 |
| | 7,808,511 | 7,618,189 |
| PROGRAM EXPENSES | | |
| Social Enterprise and Employment Programming | 2,032,988 | 1,688,084 |
| Youth Engagement and Outreach | 782,790 | 971,236 |
| The Lilly | 743,718 | 844,378 |
| Shelter Operations | 634,183 | 627,117 |
| Moving Forward | 617,885 | 597,981 |
| Family First Programming | 437,706 | 482,878 |
| Rally Haven | 347,287 | 356,365 |
| Homelessness Partnership Strategy | 208,068 | 297,606 |
| | 5,804,625 | 5,865,645 |
| OTHER EXPENSES | | |
| Administration | 1,310,460 | 927,449 |
| Amortization of Capital Assets | 318,167 | 322,765 |
| Fund Development | 176,758 | 192,637 |
| Communications | 123,337 | 176,980 |
| Provincial Expansion | 118,986 | 147,496 |
| | 2,047,708 | 1,767,327 |
| DEFICIENCY OF REVENUES OVER EXPENSES | \$ (43,822) | \$ (14,783) |

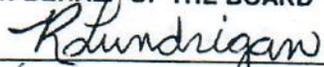
CHOICES FOR YOUTH INC.
Statement of Changes in Net Assets
Year Ended March 31, 2020

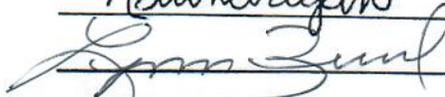
| | General Fund | Restricted Fund | 2020 | 2019 |
|--|------------------|---------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 27,964 | \$ 2,068,333 | \$ 2,096,297 | \$ 2,111,080 |
| Deficiency of revenues over expenses | (43,822) | - | (43,822) | (14,783) |
| Transfer from internally restricted net assets | 33,381 | (33,381) | - | - |
| NET ASSETS - END OF YEAR | \$ 17,523 | \$ 2,034,952 | \$ 2,052,475 | \$ 2,096,297 |

CHOICES FOR YOUTH INC.
Statement of Financial Position
March 31, 2020

| | 2020 | 2019 |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 203,413 | \$ 133,503 |
| Term deposits | - | 805,122 |
| Accounts receivable | 688,999 | 258,646 |
| Harmonized sales tax recoverable | 87,336 | 106,863 |
| Prepaid expenses | 28,882 | 15,896 |
| | 1,008,630 | 1,320,030 |
| CAPITAL ASSETS (Note 3) | 5,742,357 | 5,778,397 |
| | \$ 6,750,987 | \$ 7,098,427 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 367,611 | \$ 378,073 |
| Current portion of long term debt (Note 8) | 67,667 | 67,667 |
| Employee deductions payable | 50,498 | 63,131 |
| Deferred revenue | 296,894 | 519,173 |
| | 782,670 | 1,028,044 |
| LONG TERM DEBT (Note 8) | 572,439 | 440,106 |
| DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS (Note 9) | 3,343,403 | 3,533,980 |
| | 4,698,512 | 5,002,130 |
| NET ASSETS | | |
| General fund | 17,523 | 27,964 |
| Restricted fund (Note 7) | 2,034,952 | 2,068,333 |
| | 2,052,475 | 2,096,297 |
| | \$ 6,750,987 | \$ 7,098,427 |

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

See notes to financial statements

CHOICES FOR YOUTH INC.
Statement of Cash Flows
Year Ended March 31, 2020

| | 2020 | 2019 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenses | \$ (43,822) | \$ (14,783) |
| Items not affecting cash: | | |
| Amortization of capital assets | 318,167 | 322,765 |
| Amortization of deferred government assistance | (242,901) | (248,874) |
| | 31,444 | 59,108 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (430,353) | 215,590 |
| Inventory | - | 9,173 |
| Accounts payable and accrued liabilities | (10,462) | (15,661) |
| Deferred revenue | (222,279) | 56,765 |
| Prepaid expenses | (12,986) | 32,905 |
| Harmonized sales tax payable | 19,527 | (96,217) |
| Employee deductions payable | (12,633) | (67,193) |
| | (669,186) | 135,362 |
| Cash flow from (used by) operating activities | (637,742) | 194,470 |
| INVESTING ACTIVITY | | |
| Purchase of capital assets | (282,127) | (219,494) |
| FINANCING ACTIVITIES | | |
| Proceeds from long term financing | 200,000 | 175,000 |
| Repayment of long term debt | (67,667) | (67,667) |
| Proceeds of deferred government assistance | 52,324 | - |
| Cash flow from financing activities | 184,657 | 107,333 |
| INCREASE (DECREASE) IN CASH FLOW | (735,212) | 82,309 |
| Cash - beginning of year | 938,625 | 856,316 |
| CASH - END OF YEAR | \$ 203,413 | \$ 938,625 |
| CASH CONSISTS OF: | | |
| Cash | \$ 203,413 | \$ 133,503 |
| Term deposits | - | 805,122 |
| | \$ 203,413 | \$ 938,625 |

See notes to financial statements

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

1. DESCRIPTION OF BUSINESS

Choices for Youth Inc. (the "Organization") is a corporation without share capital incorporated under The Corporations Act of Newfoundland and Labrador. Choices for Youth is a professional services, youth-focused, non-profit, charitable organization that creates spaces and conversations, and operates programs and social enterprises to help vulnerable youth secure stable housing, employment, and education while improving health and family stability.

The Organization is a registered charity under the Income Tax Act and, as such, is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in the year in which the related expenditures 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. Government assistance received or receivable to purchase non-depreciable capital assets is credited directly to net assets.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

| | | |
|--------------------------------|----------|--------------------------|
| Buildings | 25 years | straight-line method |
| Motor vehicles | 30% | declining balance method |
| Computer equipment | 25% | declining balance method |
| Furniture and office equipment | 25% | declining balance method |

Capital assets are amortized once placed into use.

Long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Deferred contributions related to depreciable capital assets

Contributions received to construct or purchase depreciable capital assets are amortized on the same basis as the related capital asset.

(continues)

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Organization's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets.

3. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|--------------------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Land | \$ 1,140,607 | \$ - | \$ 1,140,607 | \$ 1,140,607 |
| Buildings | 7,139,712 | 2,696,448 | 4,443,264 | 4,486,436 |
| Motor vehicles | 146,957 | 101,035 | 45,922 | 49,141 |
| Computer equipment | 149,295 | 83,937 | 65,358 | 66,314 |
| Furniture and office equipment | 320,551 | 273,345 | 47,206 | 35,899 |
| | \$ 8,897,122 | \$ 3,154,765 | \$ 5,742,357 | \$ 5,778,397 |

4. BANK INDEBTEDNESS

The Organization has a line of credit of \$100,000 from TD Canada Trust Bank which bears interest at prime plus 3.25% per annum and is secured by a general security agreement. The balance on this credit line as of March 31, 2020 is \$nil (2019 - \$nil).

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

5. EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA

Employment and Social Development Canada (ESDC) has provided funding and social investment to the Organization through the Pathways to Solving Youth Homelessness through Social Programs, Social Enterprise and Support program.

The program provides support to the Organization's expansion of Impact Construction and other social enterprises, which operate through a combination of social investments and revenues generated from the enterprises. The program also funds Family First programming, the Provincial Expansion, and additional administrative capacity. The agreement with ESDC continues through the 2020 fiscal year. Expenses related to this project during the year have been included in the following categories on the Statement of Revenues and Expenditures:

| | 2020 | 2019 |
|--|---------------------|--------------|
| Social Enterprise and Employment Programming | \$ 1,452,972 | \$ 984,621 |
| Administration | 594,897 | 492,882 |
| Family First Programming | 415,745 | 466,678 |
| Provincial Expansion | 118,986 | 147,496 |
| | \$ 2,582,600 | \$ 2,091,677 |

In addition, funding of \$52,324 (2019 - \$nil) from this program was used to purchase capital assets. This funding has been included in deferred contributions related to capital assets and will be recognized as revenue on the same basis that the related assets are amortized.

6. SOCIAL ENTERPRISE

Social Enterprise revenue consists of earned revenues pertaining to the sales of goods and services, grants, and cost recovery revenues attributable to Social Enterprise activities. This line excludes revenue from Employment and Social Development Canada, which is outlined in Note 5.

7. RESTRICTED FUND

The Organization has three internally restricted funds as follows:

The Capital Replacement/Contingency Fund is to be used for extraordinary expenditures in future maintenance or operation of its programs. Disbursements from this reserve are subject to approval by the Board of Directors. In the year the Board of Directors voted to transfer the balance of this fund to the General Fund.

Young Parents Resource Centre Capital Fund is funded by proceeds from the Annual Gala. Disbursements from this fund are also subject to approval by the Board of Directors.

The Organization has also internally restricted an amount related to its investment in capital assets.

| | 2020 | 2019 |
|--|---------------------|--------------|
| Capital Replacement/Contingency Fund | \$ - | \$ 92,443 |
| Young Parents Resource Centre Capital Fund | 276,105 | 239,246 |
| Investment in Capital Assets | 1,758,847 | 1,736,644 |
| | \$ 2,034,952 | \$ 2,068,333 |

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

8. LONG TERM DEBT

| | 2020 | 2019 |
|--|-------------------|------------|
| TD Canada Trust loan bearing interest at prime plus 1.5% per annum, repayable in monthly principal payments of \$2,507 plus interest. The loan matures on October 2, 2026 and is secured by the Duckworth Street building with a net book value of \$1,144,253. | \$ 198,085 | \$ 228,173 |
| TD Canada Trust loan bearing interest at 4.072% per annum, repayable in monthly principal payments of \$1,019 plus interest. The loan matures on December 22, 2020 and is secured by the Carter's Hill building with a net book value of \$849,805. | 21,394 | 33,619 |
| Ford Credit Canada loan bearing interest at 0% per annum, repayable in monthly payments of \$806. The loan matures on February 7, 2022 and is secured by a vehicle with a net book value of \$10,484. | 17,736 | 27,411 |
| Ford Credit Canada loan bearing interest at 0% per annum, repayable in monthly payments of \$1,307. The loan matures on December 20, 2021 and is secured by a vehicle with a net book value of \$23,914. | 27,891 | 43,570 |
| R. Howard Webster Foundation loan bearing interest at 3.7% per annum, interest repayable in quarterly payments. The loan is not yet fully advanced and will not become repayable until the loan is advanced in full and the construction of 48 Cashin Avenue is complete. In the interim the only payments made are interest payments. The loan is secured by the land and building at 43 Janeway Place and 48 Cashin Avenue with a net book value of \$442,033. | 375,000 | 175,000 |
| | 640,106 | 507,773 |
| Amounts payable within one year | (67,667) | (67,667) |
| | \$ 572,439 | \$ 440,106 |

Principal repayment terms are approximately:

| | |
|------------|-------------------|
| 2021 | \$ 67,667 |
| 2022 | 59,531 |
| 2023 | 30,088 |
| 2024 | 30,088 |
| 2025 | 30,088 |
| Thereafter | 422,644 |
| | <u>\$ 640,106</u> |

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

9. DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Beginning balance | \$ 3,533,980 | \$ 3,782,854 |
| Government assistance on depreciable capital assets | 52,324 | - |
| Amortization of deferred government assistance | (242,901) | (248,874) |
| | \$ 3,343,403 | \$ 3,533,980 |

Included in deferred contributions related to depreciable capital assets are four forgivable loans.

The first loan has an unforgiven balance of \$1,000 and is forgiven at the rate of \$10,800 per year as long as the Organization meets certain conditions. A building and land with a net book value of \$648,711 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$711,000 and is forgiven at the rate of \$47,400 per year as long as the Organization meets certain conditions. A building and land with a net book value of \$1,649,842 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$506,250 and is forgiven at the rate of \$37,500 per year as long as the Organization meets certain conditions. A building and land with a net book value of \$933,128 and \$511,125, respectively have been provided as security for this loan.

The fourth loan has an unforgiven balance of \$690,000 and is forgiven at the rate of \$30,000 per year as long as the Organization meets certain conditions. A building and land with a net book value of \$770,278 and \$117,678, respectively have been provided as security for this loan.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Organization has exposure to credit risk, liquidity risk, and market risk. The Organization's Board of Directors has overall responsibility for the oversight of these risks and reviews the Organization's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Organization's credit risk is primarily attributable to receivables. Management believes that the credit risk with respect to accounts receivable is not significant.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they become due. As at March 31, 2020 the Organization had a cash balance of \$203,413. To the extent that the Organization does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third party funding or the Government of Newfoundland and Labrador, assuming these could be obtained.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and price risk will affect the Organization's operations or the value of its financial instruments. The Organization is not subject to foreign exchange or price risk.

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2020

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.