

CHOICES FOR YOUTH INC.
Financial Statements
Year Ended March 31, 2017

CHOICES FOR YOUTH INC.
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Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Choices for Youth Inc.

We have audited the accompanying financial statements of Choices for Youth Inc., which comprise the statement of financial position as at March 31, 2017 and the statements of revenues and expenditures, 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 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.

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 not-for-profit organizations, Choices for Youth Inc. 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 Choices for Youth Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2017, current assets and net assets as at March 31, 2017.

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Independent Auditor's Report to the Directors of Choices for Youth Inc. *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Choices for Youth Inc. as at March 31, 2017 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.

Mount Pearl, NL
September 25, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

CHOICES FOR YOUTH INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2017

	2017	2016
REVENUES		
Newfoundland and Labrador Housing Corporation	\$ 914,074	\$ 905,082
Department of Children, Seniors and Social Development	897,959	967,251
Impact Construction	699,124	560,264
Department of Health and Community Services	682,500	747,958
Department of Advanced Education and Skills	642,470	745,470
Donations, Fundraising and Miscellaneous Income	614,576	485,885
Eastern Health	328,920	270,035
Employment and Social Development Canada	266,119	-
Rent	258,123	269,870
Amortization of Deferred Government Assistance	227,328	199,638
City of St. John's	118,749	45,831
Other Social Enterprises	38,647	-
Interest	4,578	9,274
	5,693,167	5,206,558
EXPENDITURES		
Impact Construction	954,254	849,276
Administration	900,091	885,609
Youth Engagement and Outreach	863,341	890,349
Lily Building	862,131	801,345
Shelter Operations	578,157	622,614
Moving Forward	501,966	477,951
Amortization of Property, Plant and Equipment	311,811	252,714
Rally Haven	289,277	273,463
Social Innovation Program	266,119	-
Intensive Case Management	103,630	38,662
Social Enterprises	55,914	-
	5,686,691	5,091,983
EXCESS OF REVENUES OVER EXPENDITURES	\$ 6,476	\$ 114,575

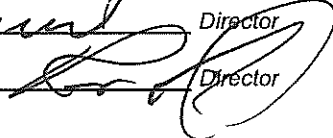
CHOICES FOR YOUTH INC.
Statement of Changes in Net Assets
Year Ended March 31, 2017

	General Fund	Restricted Fund	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 209,030	\$ 1,818,044	\$ 2,027,074	\$ 1,912,499
Excess of revenues over expenditures	6,476	-	6,476	114,575
Transfer to internally restricted net assets <i>(Note 7)</i>	(127,260)	127,260	-	-
NET ASSETS - END OF YEAR	\$ 88,246	\$ 1,945,304	\$ 2,033,550	\$ 2,027,074

CHOICES FOR YOUTH INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 327,622	\$ 139,969
Term deposits	220,987	116,409
Accounts receivable	707,235	1,011,248
Inventory	12,353	-
Work in progress	77,064	-
Prepaid expenses	35,961	30,110
	1,381,222	1,297,736
PROPERTY, PLANT AND EQUIPMENT <i>(Note 3)</i>	6,162,753	5,824,849
	\$ 7,543,975	\$ 7,122,585
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 542,013	\$ 562,356
Current portion of long term debt <i>(Note 5)</i>	67,667	50,700
Harmonized sales tax payable	19,735	49,364
Deferred revenue	457,020	210,978
	1,086,435	873,398
LONG TERM DEBT <i>(Note 5)</i>	400,442	394,470
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS <i>(Note 6)</i>	4,023,548	3,827,643
	5,510,425	5,095,511
NET ASSETS		
General fund	88,246	209,030
Restricted fund <i>(Note 7)</i>	1,945,304	1,818,044
	2,033,550	2,027,074
	\$ 7,543,975	\$ 7,122,585

ON BEHALF OF THE BOARD

 Director
 Director

CHOICES FOR YOUTH INC.
Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 6,476	\$ 114,575
Items not affecting cash:		
Amortization of property, plant and equipment	311,811	252,714
Amortization of deferred government assistance	(227,328)	(199,638)
	90,959	167,651
Changes in non-cash working capital:		
Accounts receivable	304,013	(185,605)
Inventory	(12,353)	-
Work in progress	(77,064)	-
Accounts payable and accrued liabilities	(20,343)	159,687
Deferred revenue	246,042	(270,186)
Prepaid expenses	(5,851)	(6,967)
Harmonized sales tax recoverable	(29,629)	108,560
	404,815	(194,511)
Cash flow from (used by) operating activities	495,774	(26,860)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(649,715)	(396,392)
Increase in deferred government assistance	423,233	335,772
Cash flow used by investing activities	(226,482)	(60,620)
FINANCING ACTIVITIES		
Proceeds from long term financing	78,847	58,048
Repayment of long term debt	(55,908)	(42,908)
Cash flow from financing activities	22,939	15,140
INCREASE (DECREASE) IN CASH FLOW	292,231	(72,340)
Cash - beginning of year	256,378	328,718
CASH - END OF YEAR	\$ 548,609	\$ 256,378
CASH CONSISTS OF:		
Cash	\$ 327,622	\$ 139,969
Term deposits	220,987	116,409
	\$ 548,609	\$ 256,378

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2017

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. The primary purpose of the Organization is to provide supportive housing services to youth, operate The Choices Shelter, and to provide an environment where partnerships can be developed to increase the ability of the community to meet the needs of the youth population.

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 (ASNFPPO).

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment 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

Property, plant and equipment 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.

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CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 property, plant and equipment;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 1,140,607	\$ -	\$ 1,140,607	\$ 1,140,607
Building	6,659,634	1,892,907	4,766,727	4,595,948
Motor vehicles	134,884	33,332	101,552	43,665
Computer equipment	186,239	78,062	108,177	14,206
Furniture and office equipment	280,583	234,893	45,690	30,423
	\$ 8,401,947	\$ 2,239,194	\$ 6,162,753	\$ 5,824,849

4. BANK INDEBTEDNESS

The Organization has a line of credit of \$50,000 from TD 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, 2017 is \$nil (2016 - \$nil).

5. LONG TERM DEBT

	2017	2016
Toronto Dominion loan bearing interest at prime plus 1.5% per annum, repayable in monthly blended payments of \$3,701. The loan matures on October 2, 2026 and is secured by the Duckworth Street building with a net book value of \$1,308,401.	\$ 288,351	\$ 318,440
Toronto Dominion loan bearing interest at 4.072% per annum, repayable in monthly blended payments of \$1,246. The loan matures on December 22, 2020 and is secured by the Carter's Hill building with a net book value of \$1,049,220.	58,069	70,294

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CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2017

5. LONG TERM DEBT (continued)

	2017	2016
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 \$30,565.	46,761	56,436
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 \$70,986.	74,928	-
	468,109	445,170
Amounts payable within one year	(67,667)	(50,700)
	\$ 400,442	\$ 394,470

Principal repayment terms are approximately:

2018	\$ 67,667
2019	72,354
2020	74,354
2021	75,198
2022	56,272
Thereafter	122,264
	<u>\$ 468,109</u>

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2017

6. DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS

	2017	2016
Beginning balance	\$ 3,827,643	\$ 3,691,509
Government assistance on depreciable capital assets	423,233	335,772
Amortization of deferred government assistance	(227,328)	(199,638)
	\$ 4,023,548	\$ 3,827,643

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

The first loan has an unforgiven balance of \$33,400 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 \$848,126 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$853,200 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 \$1,979,690 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$618,750 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 \$1,097,276 and \$511,125, respectively have been provided as security for this loan.

The fourth loan has an unforgiven balance of \$750,000 and will be forgiven beginning in the next fiscal year when construction is complete as long as the Organization meets certain conditions. A building and land with a net book value of \$850,436 and \$117,678, respectively have been provided as security for this loan.

7. RESTRICTED FUND

The Organization has an internally restricted Capital Replacement/Contingency Fund of \$92,443 (2016 - \$92,443) 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. The Organization also has an internally restricted Young Parents Resource Centre Capital Fund of \$181,886 (2016 - \$117,128) 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 of \$1,670,975 (2015 - \$1,608,473) related to its investment in capital assets.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Organization has exposure to credit risk, liquidity risk, market risk and interest rate 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, 2017 the Organization had cash of \$327,622. 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.

Interest risk

The callable debt bears a variable rate of interest and, consequently, the Organization is subject to interest risk; however, management believes that the related cash flow exposure is not significant.

9. COMPARATIVE FIGURES

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