

**CHOICES FOR YOUTH INC.**  
**Financial Statements**  
**Year Ended March 31, 2018**

**CHOICES FOR YOUTH INC.**  
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**Year Ended March 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2018 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, 2018, current assets and net assets as at March 31, 2018.

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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, 2018 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 26, 2018



CHARTERED PROFESSIONAL ACCOUNTANTS

**CHOICES FOR YOUTH INC.**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2018**

	2018	2017
<b>REVENUES</b>		
Employment and Social Development Canada (Note 5)	\$ 2,106,693	\$ 266,119
Impact Construction	1,134,391	719,124
Newfoundland and Labrador Housing Corporation	898,651	914,074
Department of Children, Seniors and Social Development	897,960	897,959
Department of Health and Community Services	682,500	682,500
Department of Advanced Education and Skills	642,470	642,470
Donations, Fundraising and Miscellaneous Income	563,637	594,576
Eastern Health	321,577	328,920
Rent	269,006	258,123
Amortization of Deferred Government Assistance	254,093	227,328
City of St. John's	184,984	118,749
Other Social Enterprises	143,040	38,647
Interest	7,262	4,578
	<b>8,106,264</b>	<b>5,693,167</b>
<b>EXPENDITURES</b>		
Impact Construction	1,486,651	969,758
Administration	1,067,285	1,012,718
Other Social Enterprises	991,117	147,311
Youth Engagement and Outreach	975,812	863,341
Lily Building	885,099	862,131
Shelter Operations	584,752	578,157
Moving Forward	560,653	501,966
Family First Programming	486,010	33,740
Amortization of Property, Plant and Equipment	339,267	311,811
Rally Haven	328,385	289,277
Homelessness Partnership Strategy	206,790	103,630
Provincial Expansion	116,913	12,851
	<b>8,028,734</b>	<b>5,686,691</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 77,530</b>	<b>\$ 6,476</b>

**CHOICES FOR YOUTH INC.**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2018**

	General Fund	Restricted Fund	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 88,246	\$ 1,945,304	<b>\$ 2,033,550</b>	\$ 2,027,074
Excess of revenues over expenditures	77,530	-	<b>77,530</b>	6,476
Transfer to internally restricted net assets <i>(Note 6)</i>	(73,911)	73,911	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 91,865	\$ 2,019,215	<b>\$ 2,111,080</b>	\$ 2,033,550

**CHOICES FOR YOUTH INC.**  
**Statement of Financial Position**  
**March 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 313,782	\$ 327,622
Term deposits	542,534	220,987
Accounts receivable	466,496	707,235
Inventory	9,173	12,353
Work in progress	-	77,064
Harmonized sales tax recoverable	10,646	-
Prepaid expenses	56,540	35,961
	<b>1,399,171</b>	<b>1,381,222</b>
PROPERTY, PLANT AND EQUIPMENT <i>(Note 3)</i>	<b>5,881,669</b>	<b>6,162,753</b>
	<b>\$ 7,280,840</b>	<b>\$ 7,543,975</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 524,058	\$ 542,012
Current portion of long term debt <i>(Note 7)</i>	67,667	67,667
Harmonized sales tax payable	-	19,735
Deferred revenue	462,408	457,020
	<b>1,054,133</b>	<b>1,086,434</b>
LONG TERM DEBT <i>(Note 7)</i>	<b>332,774</b>	<b>400,442</b>
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS <i>(Note 8)</i>	<b>3,782,853</b>	<b>4,023,549</b>
	<b>5,169,760</b>	<b>5,510,425</b>
<b>NET ASSETS</b>		
General fund	91,865	88,246
Restricted fund <i>(Note 6)</i>	2,019,215	1,945,304
	<b>2,111,080</b>	<b>2,033,550</b>
	<b>\$ 7,280,840</b>	<b>\$ 7,543,975</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
*Director*

\_\_\_\_\_  
*Director*

**CHOICES FOR YOUTH INC.**  
**Statement of Cash Flows**  
**Year Ended March 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 77,530	\$ 6,476
Items not affecting cash:		
Amortization of property, plant and equipment	339,267	311,811
Amortization of deferred government assistance	(254,093)	(227,328)
	<b>162,704</b>	90,959
Changes in non-cash working capital:		
Accounts receivable	240,739	304,013
Inventory	3,180	(12,353)
Work in progress	77,064	(77,064)
Accounts payable and accrued liabilities	(17,955)	(20,343)
Deferred revenue	5,388	246,042
Prepaid expenses	(20,579)	(5,851)
Harmonized sales tax recoverable	(30,381)	(29,629)
	<b>257,456</b>	404,815
Cash flow from operating activities	<b>420,160</b>	495,774
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(65,342)	(649,715)
Proceeds on disposal of property, plant and equipment	7,158	-
Increase in deferred government assistance	13,398	423,233
Cash flow used by investing activities	<b>(44,786)</b>	(226,482)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	-	78,847
Repayment of long term debt	(67,667)	(55,908)
Cash flow from (used by) financing activities	<b>(67,667)</b>	22,939
<b>INCREASE IN CASH FLOW</b>	<b>307,707</b>	292,231
Cash - beginning of year	<b>548,609</b>	256,378
<b>CASH - END OF YEAR</b>	<b>\$ 856,316</b>	\$ 548,609
<b>CASH CONSISTS OF:</b>		
Cash	\$ 313,782	\$ 327,622
Term deposits	542,534	220,987
	<b>\$ 856,316</b>	<b>\$ 548,609</b>



**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2018**

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**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 (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.

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, 2018**

**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	<b>2018 Net book value</b>	2017 Net book value
Land	\$ 1,140,607	\$ -	\$ 1,140,607	\$ 1,140,607
Buildings	6,696,036	2,160,004	<b>4,536,032</b>	4,766,727
Motor vehicles	133,619	63,418	<b>70,201</b>	101,552
Computer equipment	129,117	42,153	<b>86,964</b>	108,177
Furniture and office equipment	296,123	248,258	<b>47,865</b>	45,690
	<b>\$ 8,395,502</b>	<b>\$ 2,513,833</b>	<b>\$ 5,881,669</b>	<b>\$ 6,162,753</b>

**4. BANK INDEBTEDNESS**

The Organization has a line of credit of \$100,000 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, 2018 is \$nil (2017 - \$nil).

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2018**

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**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 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 income statement:

	<b>2018</b>	<b>2017</b>
Other Social Enterprises	<b>\$ 895,253</b>	\$ 91,397
Family First Programming	<b>486,010</b>	33,740
Impact Construction	<b>371,049</b>	15,504
Administration	<b>237,468</b>	112,627
Provincial Expansion	<b>116,913</b>	12,851
	<b>\$ 2,106,693</b>	\$ 266,119

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In addition, funding of \$13,398 (2017 - \$112,417) 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. RESTRICTED FUND**

The Organization has an internally restricted Capital Replacement/Contingency Fund of \$92,443 (2017 - \$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 \$228,397 (2017 - \$181,886) 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 \$1,698,375 (2017 - \$1,670,975) related to its investment in capital assets.

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**7. LONG TERM DEBT**

	<b>2018</b>	<b>2017</b>
Toronto Dominion 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 \$1,253,605.	<b>\$ 258,262</b>	\$ 288,351
Toronto Dominion 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 \$982,211.	<b>45,844</b>	58,069
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 \$21,396.	<b>37,086</b>	46,761
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 \$48,805.	<b>59,249</b>	74,928
	<b>400,441</b>	468,109
Amounts payable within one year	<b>(67,667)</b>	(67,667)
	<b>\$ 332,774</b>	\$ 400,442

Principal repayment terms are approximately:

2019	\$ 67,668
2020	67,668
2021	67,668
2022	59,430
2023	30,088
Thereafter	<u>107,919</u>
	<b>\$ 400,441</b>

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2018**

**8. DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS**

	2018	2017
Beginning balance	\$ 4,023,548	\$ 3,827,643
Government assistance on depreciable capital assets	13,398	423,234
Amortization of deferred government assistance	(254,093)	(227,328)
	<b>\$ 3,782,853</b>	<b>\$ 4,023,549</b>

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

The first loan has an unforgiven balance of \$22,600 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 \$781,117 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$805,800 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 \$1,869,741 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$581,250 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 \$1,042,560 and \$511,125, respectively have been provided as security for this loan.

The fourth loan has an unforgiven balance of \$750,000 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 \$842,613 and \$117,678, respectively have been provided as security for this loan.

**9. 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, 2018 the Organization had cash of \$313,782. 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.

**10. COMPARATIVE FIGURES**

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