

**CHOICES FOR YOUTH INC.**  
**Financial Statements**  
**Year Ended March 31, 2015**

CHOICES FOR YOUTH INC.  
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Year Ended March 31, 2015

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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, 2015 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, 2015, current assets and net assets as at March 31, 2015.

### Qualified Opinion

*(continues)*

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

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, 2015 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  
December 7, 2015

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**CHOICES FOR YOUTH INC.**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2015**

	2015	2014
<b>REVENUES</b>		
Newfoundland and Labrador Housing Corporation	\$ 1,263,234	\$ 982,027
Hibernia Management and Development Company	1,190,160	739,025
Department of Child, Youth and Family Services	788,054	1,433,960
Health and Community Services	556,100	226,822
Department of Advanced Education and Skills	539,465	1,001,277
Miscellaneous	356,716	348,603
Rent	246,194	236,656
Donations	224,055	189,217
Amortization of Deferred Government Assistance	201,325	203,607
Train For Trades	179,949	-
Eastern Health	60,393	482,394
Interest	13,992	40,440
City of St. John's	12,000	389,868
Stella Burry Community Services	-	3,163
	<b>5,631,637</b>	<b>6,277,059</b>
<b>EXPENDITURES</b>		
Train for Trades	1,370,109	1,135,656
Administration	999,742	998,122
Lily Building	792,201	756,822
Youth Engagement and Outreach	730,791	490,481
Shelter Operations	552,325	590,650
Moving Forward	487,316	452,228
Transitional Housing	284,792	298,653
Amortization of Property, Plant and Equipment	247,912	253,324
Projects	13,476	7,216
Housing Partnering Strategy	-	377,098
Duckworth Street	-	19,210
Supportive Housing Program	-	480,220
	<b>5,478,664</b>	<b>5,859,680</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 152,973</b>	<b>\$ 417,379</b>

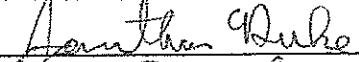
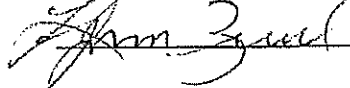
CHOICES FOR YOUTH INC.  
Statement of Changes in Net Assets  
Year Ended March 31, 2015

	General Fund	Restricted Fund	2015	2014
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 7,216	\$ 1,752,310	\$ 1,759,526	\$ 1,388,189
Excess of revenues over expenditures	152,973	-	152,973	417,379
Transfer to NL Housing and Homelessness Network	-	-	-	(46,042)
Transfer from internally restricted net assets	(16,884)	16,884	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 143,305	\$ 1,769,194	\$ 1,912,499	\$ 1,759,526

CHOICES FOR YOUTH INC.  
Statement of Financial Position  
March 31, 2015

	2015	2014
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,583	\$ 429,318
Term deposits	327,135	913,143
Accounts receivable	825,643	554,873
Harmonized sales tax recoverable	59,196	92,296
Prepaid expenses	23,143	18,507
	<u>1,236,700</u>	<u>2,008,137</u>
PROPERTY, PLANT AND EQUIPMENT (Note 3)	5,681,171	5,825,671
	<u>\$ 6,917,871</u>	<u>\$ 7,833,808</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 402,670	\$ 321,865
Callable debt due in one year (Note 5)	-	17,200
Current portion of long term debt (Note 6)	48,000	19,500
Deferred revenue	481,164	1,586,613
	<u>931,834</u>	<u>1,945,178</u>
Callable debt due thereafter (Note 5)	-	73,605
	<u>931,834</u>	<u>2,018,783</u>
LONG TERM DEBT (Note 6)	382,029	266,057
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS (Note 7)	3,691,509	3,789,442
	<u>5,005,372</u>	<u>6,074,282</u>
<b>NET ASSETS</b>		
General fund	143,305	7,216
Restricted fund (Note 8)	1,769,194	1,752,310
	<u>1,912,499</u>	<u>1,759,526</u>
	<u>\$ 6,917,871</u>	<u>\$ 7,833,808</u>

ON BEHALF OF THE BOARD

 Director  
 Director

**CHOICES FOR YOUTH INC.**

**Statement of Cash Flows**

**Year Ended March 31, 2015**

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 152,973	\$ 417,379
Items not affecting cash:		
Amortization of property, plant and equipment	247,912	253,324
Amortization of deferred government assistance	(201,325)	(203,607)
	<b>199,560</b>	<b>467,096</b>
Changes in non-cash working capital:		
Accounts receivable	(270,770)	(124,819)
Accounts payable and accrued liabilities	80,806	(72,042)
Deferred revenue	(1,105,449)	(743,645)
Prepaid expenses	(4,636)	19,014
Harmonized sales tax recoverable	33,100	(38,553)
	<b>(1,266,949)</b>	<b>(960,045)</b>
Cash flow used by operating activities	<b>(1,067,389)</b>	<b>(492,949)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(103,432)	(571,225)
Increase in deferred government assistance	103,412	-
Cash flow used by investing activities	<b>(20)</b>	<b>(571,225)</b>
<b>FINANCING ACTIVITIES</b>		
Transfer to NL Housing and Homelessness Network	-	(46,042)
Proceeds from long term financing	169,184	-
Repayment of callable debt	(90,805)	(15,528)
Repayment of long term debt	(24,713)	(9,611)
Cash flow from (used by) financing activities	<b>53,666</b>	<b>(71,181)</b>
<b>DECREASE IN CASH FLOW</b>	<b>(1,013,743)</b>	<b>(1,135,355)</b>
Cash - beginning of year	<b>1,342,461</b>	<b>2,477,816</b>
<b>CASH - END OF YEAR</b>	<b>\$ 328,718</b>	<b>\$ 1,342,461</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 1,583	\$ 429,318
Term deposits	327,135	913,143
	<b>\$ 328,718</b>	<b>\$ 1,342,461</b>



**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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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 an emergency shelter for young men, 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
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.

*(continues)*

CHOICES FOR YOUTH INC.  
Notes to Financial Statements  
Year Ended March 31, 2015

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	2015 Net book value	2014 Net book value
Land	\$ 1,140,607	\$ -	\$ 1,140,607	\$ 1,140,607
Building	5,895,254	1,403,404	4,491,850	4,620,112
Computer equipment	70,520	56,555	13,965	18,620
Furniture and office equipment	249,459	214,710	34,749	46,332
	\$ 7,355,840	\$ 1,674,669	\$ 5,681,171	\$ 5,825,671

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, 2015 is \$nil (2014 - \$nil).

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

**5. CALLABLE DEBT**

	2015	2014
Toronto Dominion loan bearing interest at prime plus 1.5% per annum, repayable in monthly blended payments of \$1,668. The loan was repaid during the year.	\$ -	\$ 90,805
Principal due in one year	-	(17,200)
	<u>\$ -</u>	<u>\$ 73,605</u>

**6. LONG TERM DEBT**

	2015	2014
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 \$1,417,833.	\$ 348,529	\$ 285,557
Toronto Dominion loan bearing interest at 4.072% per annum, repayable in monthly blended payments of \$-. The loan matures on December 22, 2019 and is secured by the Carter's Hill building with a net book value of \$1,183,237.	81,500	-
	430,029	285,557
Amounts payable within one year	(48,000)	(19,500)
	<u>\$ 382,029</u>	<u>\$ 266,057</u>

Principal repayment terms are approximately:

2016	\$ 48,000
2017	52,000
2018	58,000
2019	64,500
2020	60,000
Thereafter	147,529
	<u>\$ 430,029</u>

CHOICES FOR YOUTH INC.  
Notes to Financial Statements  
Year Ended March 31, 2015

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

	2015	2014
Beginning balance	\$ 3,789,442	\$ 3,993,049
Government assistance on depreciable capital assets	103,412	-
Amortization of deferred government assistance	(201,035)	(203,607)
	<b>\$ 3,691,819</b>	<b>\$ 3,789,442</b>

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

The first loan has an unforgiven balance of \$55,000 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 \$982,143 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$948,000 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 \$2,199,588 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$693,750 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 \$1,206,709 and \$511,125, respectively have been provided as security for this loan.

**8. RESTRICTED FUND**

The Organization has set aside funds of \$92,443 (2014 - \$92,443) in an internally restricted reserve to be used for extraordinary expenditures in the future maintenance, operation and expansion of its programs. Disbursements from this reserve are subject to approval by the Board of Directors. The Organization has also internally restricted an amount of \$1,559,633 (2014 - \$1,659,867) related to its investment in capital assets and \$117,128 to support the development of the Young Parents Resource Center project.

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2015**

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**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, 2013 the Organization had cash of \$2,477,816. 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.