Choices for Youth Inc.
Financial Statements
March 31, 2022

Choices for Youth Inc.
Contents
For the year ended March 31, 2022

Independent Auditor's Report

To the Board of Choices for Youth:

Qualified Opinion

We have audited the financial statements of Choices for Youth (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, 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, 2022, and its financial performance, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives many different types of revenues from the general public, including donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to the financial statements. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses, and cashflows from operations for the years ended March 31, 2022 and March 31, 2021, current assets as of March 31, 2022 and March 31, 2021, and net assets as at March 31, 2022 and March 31, 2021.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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.

Responsibilities of Management and Those Charged with Governance 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.

ACCOUNTING › CONSULTING › TAX
SUITE 201, 1090 TOPSAIL ROAD, MOUNT PEARL NL, A1N 5E7
T: 709.747.7777 F: 709.747.3841 MNP.ca

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 and Labrador

December 19, 2022

MNP LLP

Chartered Professional Accountants

Choices for Youth Inc.
Statement of Financial Position
As at March 31, 2022

	2022	2021
Assets		
Current		
Cash	4,128,388	1,745,454
Accounts receivable	209,349	511,757
Prepaid expenses and deposits	63,833	45,755
Harmonized sales tax recoverable	102,863	72,194
	4,504,433	2,375,160
Capital assets *(Note 4)*	5,467,979	5,612,187
	9,972,412	7,987,347
Liabilities		
Current		
Accounts payable and accruals *(Note 5)*	604,666	524,971
Deferred revenue *(Note 6)*	3,790,250	1,585,613
Current portion of long-term debt *(Note 7)*	45,081	434,531
	4,439,997	2,545,115
Long-term debt *(Note 7)*	462,628	137,909
Deferred contributions related to depreciable capital assets *(Note 8)*	2,898,464	3,150,027
	7,801,089	5,833,051
Net Assets		
General Fund	(166,587)	(11,529)
Restricted Fund *(Note 9)*	2,337,910	2,165,825
	2,171,323	2,154,296
	9,972,412	7,987,347

Approved on behalf of the Board

Tracey Power
Director

Director

Choices for Youth Inc.
Statement of Operations
For the year ended March 31, 2022

	2022	2021
Revenue		
Employment and Social Development Canada *(Note 10)*	**3,487,726**	2,768,182
Government of Newfoundland and Labrador	**3,140,798**	3,140,798
Donations, fundraising and miscellaneous income	**1,106,635**	800,643
Social enterprise *(Note 11)*	**645,869**	808,498
Amortization of deferred contributions *(Note 8)*	**251,563**	246,376
Eastern Health	**233,954**	238,129
Rental income	**216,997**	231,671
Municipal grants	**31,238**	-
Interest	**2,072**	5,831
City of St. John's	**-**	15,891
	9,116,852	8,256,019
Program Expenses		
Social Enterprise and Employment Programming	**2,597,225**	2,612,920
Rally Forward	**957,464**	941,794
Family First programming	**874,363**	610,715
The Lilly	**832,006**	843,339
Shelter operations	**732,173**	646,911
Youth Engagement and Outreach	**723,443**	729,315
Homelessness Partnership Strategy	**124,223**	22,638
	6,840,897	6,407,632
Other Expenses		
Amortization of capital assets	**343,845**	331,337
Administration	**1,364,881**	980,707
Provincial expansion	**281,328**	149,815
Fund Development	**155,734**	175,566
Communications	**113,140**	109,141
	2,258,928	1,746,566
Total expenses	**9,099,825**	8,154,198
Excess of revenue over expenses	**17,027**	101,821

The accompanying notes are an integral part of these financial statements

Choices for Youth Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2022

	General Fund	*Restricted Fund*	*2022*	*2021*
Net assets beginning of year	**(11,529)**	**2,165,825**	**2,154,296**	2,052,475
Excess of revenue over expenses	**17,027**	**-**	**17,027**	101,821
Transfer from internally restricted net assets *(Note 12)*	**(172,085)**	**172,085**	**-**	-
Net assets, end of year	**(166,587)**	**2,337,910**	**2,171,323**	2,154,296

The accompanying notes are an integral part of these financial statements

Choices for Youth Inc.
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**17,027**	101,821
Amortization	**343,845**	331,337
Amortization of deferred contributions related to depreciable capital assets	**(251,563)**	(246,376)
	109,309	186,782
Changes in working capital accounts		
Accounts receivable	**302,408**	175,442
Harmonized sales tax recoverable	**(30,669)**	15,142
Prepaid expenses and deposits	**(18,078)**	(15,073)
Accounts payable and accruals	**79,695**	106,862
Deferred contributions	**2,204,637**	1,288,719
	2,647,302	1,757,874
Financing		
Proceeds from long term financing	**374,798**	-
Repayment of long-term debt	**(439,529)**	(67,667)
Proceeds of deferred government assistance	**-**	53,000
	(64,731)	(14,667)
Investing		
Purchase of capital assets	**(199,637)**	(201,166)
Increase in cash resources	**2,382,934**	1,542,041
Cash resources, beginning of year	**1,745,454**	203,413
Cash resources, end of year	**4,128,388**	1,745,454

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

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 under paragraph 149(1)(f).

2. Significant accounting policies

Basis of presentation

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

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Capital assets are amortized over their estimated useful lifes at the following rates and methods.

	Method	Rate
Buildings	straight-line	25 years
Automotive	declining balance	30 %
Computer equipment	declining balance	25 %
Furniture and equipment	declining balance	25 %

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization writes down long-lived assets held for use when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Organization determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses 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.

Contributions including Government assistance, received to construct or purchase depreciable capital assets are amortized on the same basis as the related capital asset. This also includes forgivable loans received to purchase depreciable capital assets.

All other earned revenue is recognized when services are performed and collection is reasonably assured. Interest revenue is recognized when received.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the years in which they become known.

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm's length financial instrument at fair value.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

3. Bank indebtedness

The Organization has a line of credit of $50,000 from TD Canada Trust Bank which bears interest at prime plus 3.25% annum and is secured by a general security agreement. The balance on this line of credit as of March 31, 2022 is $nil (2021 - $nil).

4. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	1,140,607	-	1,140,607	1,140,607
Buildings	7,435,277	3,263,230	4,172,047	4,275,133
Automotive	209,944	150,292	59,652	87,460
Computer equipment	149,295	112,001	37,294	49,725
Furniture and equipment	362,803	304,424	58,379	59,262
	9,297,926	3,829,947	5,467,979	5,612,187

Included in the cost of buildings is a total of $208,832 for the Youth Parent's Resource Centre. This asset is under construction, therefore amortization has not been calculated on the cost.

5. Accounts payable and accruals

	2022	2021
Accounts payable and accrued liabilities	532,611	452,545
Employee deductions payable	72,055	72,426
	604,666	524,971

6. Deferred revenue

Deferred revenue consist of unspent contributions externally restricted for delivery of youth service programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	Opening balance	Recognized in revenue in the year	Deferred in the year	2022	2021
City of St. John's	100,000	-	-	100,000	100,000
Newfoundland and Labrador Workforce Innovation Centre	83,673	(204,864)	222,072	100,881	83,673
Government of Canada	914,267	(3,487,726)	4,278,166	1,704,707	914,267
Newfoundland and Labrador Integrated Service Delivery	349,000	(75,360)	280,000	553,640	349,000
Government of Newfoundland and Labrador	138,673	(138,673)	-	-	138,673
YPRC	-	-	918,535	918,535	-
The Northpine Foundation	-	-	200,000	200,000	-
Community Housing Transformation Centre	-	-	60,000	60,000	-
End Homelessness St. John's	-	(31,238)	33,725	2,487	-
Home Depot	-	-	150,000	150,000	-
	1,585,613	(3,937,861)	6,142,498	3,790,250	1,585,613

Government of Newfoundland and Labrador deferred revenue is unrelated to the Multi-year Agreement. City of St. John's deferred revenue is externally restricted for the Young Parents' Resource Centre capital project.

7. Long-term debt

	2022	2021
TD Canada Trust loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $1,109 plus interest. The loan matured during the year.	-	9,169
R. Howard Webster Foundation loan bearing interest at 3.7% per annum, interest repayable in quarterly payments. The loan was repaid in full during the year.	-	375,000
TD Canada Trust loan bearing interest at prime plus 1% 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 $1,034,820.	**137,907**	167,996
TD Canada Trust loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $1,249 plus interest. The loan matures on November 22, 2046 and is secured by the Cashin Avenue building with a net book value of $496,332.	**369,802**	-
Ford Credit Canada interest free loan, repayable in monthly payments of $1,307. The loan matured during the year.	-	12,213
Ford Credit Canada interest free loan, repayable in monthly payments of $806. The loan matured during the year.	-	8,062
	507,709	572,440
Less: Current portion	**45,081**	434,531
	462,628	137,909

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed are estimated as follows:

	Principal
2023	45,081
2024	45,081
2025	45,081
2026	45,081
2027	45,081
	225,405

The Organization is also a party to three forgivable mortgages with Newfoundland and Labrador Housing Corporation (see Note 8).

8. Deferred contributions related to depreciable capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2022	2021
Balance, beginning of year	**3,150,027**	3,343,403
Amount received during the year	**-**	53,000
Less: Amounts recognized as revenue during the year	**(251,563)**	(246,376)
	2,898,464	3,150,027

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

The first loan has an unforgiven balance of $737,333 (2021 - $800,533) and is forgiven at the rate of $63,200 per year as long as the Organization meets certain conditions. A building and land with a net book value of $1,430,682 (2021 - $1,539,893) and $310,710 (2021 - $310,710), respectively have been provided as security for this loan.

The second loan has an unforgiven balance of $306,250 (2021 - $343,750) 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 $823,695 (2021 - $878,412) and $511,125 (2021 - $511,125), respectively have been provided as security for this loan.

The third loan has an unforgiven balance of $525,000 (2021 - $555,000) 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 $697,943 (2021 - $734,110) and $117,678 (2021 - $117,678), respectively have been provided as security for this loan.

9. Restricted Funds

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.

	2022	2021
Young Parents Resource Centre Capital Fund (externally restricted)	**276,105**	276,105
Investment in Capital Assets (internally restricted)	**2,061,805**	1,889,720
	2,337,910	2,165,825

10. 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 2023 fiscal year. Expenses related to this project during the year have been included in the following categories on the Statement of Revenues and Expenses:

	2022	2021
Social Enterprise and Employment Programming	**1,746,972**	1,687,310
Administration	**591,910**	320,369
Family First Programming	**578,759**	481,152
Provincial Expansion	**570,085**	279,351
	3,487,726	2,768,182

11. 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 10.

12. Inter-Fund Transfer

An inter-fund transfer is made at year end to represent the change in investment in capital assets portion of the restricted fund. This transfer is the net of: depreciation expense, capital asset additions, recognition of deferred government assistance on depreciable assets and principal payments on long-term debt associated with capital assets in the year.

13. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Accounts receivable from nine customers (2021 - two) in connection with the social enterprise project, Impact Construction, accounted for 36% (2021 - 33%) of the accounts receivable as of March 31, 2022. The Organization believes that there is minimal risk associated with the collection of these receivables. The balance of accounts receivable is widely distributed among the remainder of the Organization's large customer base. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Market risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Organization is exposed to interest rate price risk on its long-term debt as they are at variable rates based on prime.

14. Coronavirus

In early March 2020, the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.