

CHOICES FOR YOUTH INC.
Financial Statements
Year Ended March 31, 2014

CHOICES FOR YOUTH INC.
Index to Financial Statements
Year Ended March 31, 2014

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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, 2014 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 generally accepted accounting principles, 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 and donations, 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, 2014, current assets and net assets as at April 1, 2013 and March 31, 2014

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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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, NL
August 22, 2014

Gardner Coombs Winsor Coombs
CHARTERED ACCOUNTANTS

CHOICES FOR YOUTH INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2014

	2014	2013
REVENUES		
Department of Child, Youth and Family Services	\$ 1,433,960	\$ 1,232,873
Department of Advanced Education and Skills	1,001,277	1,507,849
Newfoundland and Labrador Housing Corporation	982,027	766,930
Hibernia Management and Development Company	739,025	127,466
Eastern Health	482,394	556,325
City of St. John's	389,868	41,963
Miscellaneous	348,603	269,206
Rent	236,656	229,147
Health and Community Services	226,822	433,778
Amortization of Deferred Government Assistance	203,607	206,634
Donations	189,217	204,053
Interest	40,440	14,424
Stella Burry Community Services	3,163	5,100
Service Canada	-	19,326
Government of NL	-	6,379
	6,277,059	5,621,453
EXPENDITURES		
Train for Trades	1,135,656	600,467
Administration	999,831	683,493
Lily Building	756,822	729,494
Shelter Operations	590,650	582,173
Youth Engagement and Outreach	488,772	636,026
Supportive Housing Program	480,220	699,594
Moving Forward	452,228	437,743
Housing Partnering Strategy	377,098	41,963
Transitional Housing	298,653	261,442
Amortization of Property, Plant and Equipment	253,324	242,400
Duckworth Street	19,210	47,516
Projects	7,216	136,800
Housing and Homelessness Network	-	427,312
	5,859,680	5,526,423
EXCESS OF REVENUES OVER EXPENDITURES	\$ 417,379	\$ 95,030

CHOICES FOR YOUTH INC.
Statement of Changes in Net Assets
Year Ended March 31, 2014

	General Fund	Restricted Fund	Housing and Homelessness	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ 136,485	\$ 1,205,662	\$ 46,042	\$ 1,388,189	\$ 1,422,175
Excess of revenues over expenditures	417,379	-	-	417,379	95,030
Transfer to NL Housing and Homelessness Network	-	-	(46,042)	(46,042)	(129,016)
Transfer from internally restricted net assets	(546,648)	546,648	-	-	-
NET ASSETS - END OF YEAR	\$ 7,216	\$ 1,752,310	\$ -	\$ 1,759,526	\$ 1,388,189

CHOICES FOR YOUTH INC.
Statement of Financial Position
March 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 429,318	\$ 70,363
Term deposits	913,143	2,407,453
Accounts receivable	554,873	430,054
Harmonized sales tax recoverable	92,296	53,743
Prepaid expenses	18,507	37,521
	2,008,137	2,999,134
PROPERTY, PLANT AND EQUIPMENT <i>(Note 3)</i>	5,825,671	5,507,770
	\$ 7,833,808	\$ 8,506,904
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 321,865	\$ 393,906
Callable debt due in one year <i>(Note 5)</i>	17,200	16,500
Current portion of long term debt <i>(Note 6)</i>	10,000	9,500
Deferred revenue	1,586,613	2,330,258
	1,935,678	2,750,164
Callable debt due thereafter <i>(Note 5)</i>	73,605	89,833
	2,009,283	2,839,997
LONG TERM DEBT <i>(Note 6)</i>	275,557	285,669
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS <i>(Note 7)</i>	3,789,442	3,993,049
	6,074,282	7,118,715
NET ASSETS		
General fund	7,216	136,485
Restricted fund <i>(Note 8)</i>	1,752,310	1,205,662
Housing and homelessness	-	46,042
	1,759,526	1,388,189
	\$ 7,833,808	\$ 8,506,904

ON BEHALF OF THE BOARD

Director

Director

CHOICES FOR YOUTH INC.
Statement of Cash Flows
Year Ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 417,379	\$ 95,030
Items not affecting cash:		
Amortization of property, plant and equipment	253,324	242,400
Amortization of deferred government assistance	(203,607)	(206,634)
	467,096	130,796
Changes in non-cash working capital:		
Accounts receivable	(124,819)	467,823
Accounts payable and accrued liabilities	(72,042)	(92,772)
Deferred revenue	(743,645)	1,992,602
Prepaid expenses	19,014	56,422
Harmonized sales tax recoverable	(38,553)	(5,419)
Vacation pay payable	-	(57,761)
	(960,045)	2,360,895
Cash flow from (used by) operating activities	(492,949)	2,491,691
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(571,225)	(540,792)
FINANCING ACTIVITIES		
Government assistance for depreciable capital assets	-	263,522
Transfer to NL Housing and Homelessness Network	(46,042)	(129,016)
Proceeds from long term financing	-	300,000
Repayment of callable debt	(15,528)	(14,868)
Repayment of long term debt	(9,611)	(4,831)
Cash flow from (used by) financing activities	(71,181)	414,807
INCREASE (DECREASE) IN CASH FLOW	(1,135,355)	2,365,706
Cash - beginning of year	2,477,816	112,110
CASH - END OF YEAR	\$ 1,342,461	\$ 2,477,816
CASH CONSISTS OF:		
Cash	\$ 429,318	\$ 70,363
Term deposits	913,143	2,407,453
	\$ 1,342,461	\$ 2,477,816

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2014

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 generally accepted accounting principles (GAAP).

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.

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CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Callable debt

The Organization's demand loan is classified as a current liability because the lender has the right to demand repayment within one year.

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	2014 Net book value	2013 Net book value
Land	\$ 1,140,607	\$ -	\$ 1,140,607	\$ 1,022,929
Building	5,791,842	1,171,730	4,620,112	4,398,238
Computer equipment	70,520	51,900	18,620	24,827
Furniture and office equipment	249,459	203,127	46,332	61,776
	\$ 7,252,428	\$ 1,426,757	\$ 5,825,671	\$ 5,507,770

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, 2014 is \$nil (2013 - \$nil).

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2014

5. CALLABLE DEBT

	2014	2013
Toronto Dominion loan bearing interest at prime plus 1.5% per annum, repayable in monthly blended payments of \$1,668. The loan matures on February 1, 2019 and is secured by the Lily building and land with net book values of \$2,309,537 and \$310,710 respectively. Loan is callable on demand.	\$ 90,805	\$ 106,333
Principal due in one year	(17,200)	(16,500)
	\$ 73,605	\$ 89,833

Principal repayment terms are approximately as follows:

2015	\$ 17,200
2016	18,000
2017	18,700
2018	19,400
2019	17,505
	<u>\$ 90,805</u>

6. LONG TERM DEBT

	2014	2013
Toronto Dominion loan bearing interest at prime plus 1.5% per annum, repayable in monthly blended payments of \$1,898. The loan matures on October 25, 2032 and is secured by the Duckworth Street building with a net book value of \$1,261,425.	\$ 285,557	\$ 295,169
Amounts payable within one year	(10,000)	(9,500)
	\$ 275,557	\$ 285,669

Principal repayment terms are approximately:

2015	\$ 10,000
2016	10,500
2017	11,000
2018	11,500
2019	12,000
Thereafter	230,557
	<u>\$ 285,557</u>

CHOICES FOR YOUTH INC.
Notes to Financial Statements
Year Ended March 31, 2014

7. DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS

	2014	2013
Beginning balance	\$ 3,993,049	\$ 3,936,160
Government assistance on depreciable capital assets	-	263,523
Amortization of deferred government assistance	(203,607)	(206,634)
	\$ 3,789,442	\$ 3,993,049

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

The first loan has an unforgiven balance of \$65,800 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 \$917,151 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$995,400 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 \$2,309,537 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$750,000. The loan will be forgiven over twenty years after the interest adjustment date if the Organization meets certain conditions. The interest adjustment date has not yet been determined. A building and land with a net book value of \$1,261,425 and \$511,125, respectively have been provided as security for this loan.

8. RESTRICTED FUND

The Organization has set aside funds of \$92,443 (2013 - \$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 \$1,659,867 (2013 - \$1,113,219) related to its investment in capital assets.

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.