

**CHOICES FOR YOUTH INC.**  
**Financial Statements**  
**Year Ended March 31, 2016**

**WINSOR COOMBS COPY**  
**PLEASE SIGN AND RETURN**

**CHOICES FOR YOUTH INC.**  
**Index to Financial Statements**  
**Year Ended March 31, 2016**

---

	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 - 10

---

## 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, 2016 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, 2016, current assets and net assets as at March 31, 2016.

### 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, 2016 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 7, 2016



CHARTERED PROFESSIONAL ACCOUNTANTS

**CHOICES FOR YOUTH INC.**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2016**

	2016	2015
<b>REVENUES</b>		
Department of Child, Youth and Family Services	\$ 967,251	\$ 788,054
Newfoundland and Labrador Housing Corporation	905,082	1,263,234
Health and Community Services	747,958	556,100
Department of Advanced Education and Skills	745,470	539,465
Impact Construction (Train For Trades)	509,001	179,949
Donations	314,569	224,055
Eastern Health	270,035	60,393
Rent	269,870	246,194
Amortization of Deferred Government Assistance	199,638	201,325
Miscellaneous	171,316	356,716
Hibernia Management and Development Company	51,263	1,190,160
City of St. John's	45,831	12,000
Interest	9,274	13,992
	<b>5,206,558</b>	<b>5,631,637</b>
<b>EXPENDITURES</b>		
Impact Construction (Train For Trades)	962,608	1,370,439
Administration	925,212	1,012,888
Lily Building	801,345	792,201
Youth Engagement and Outreach	737,414	730,791
Shelter Operations	622,614	552,325
Moving Forward	477,951	487,316
Transitional Housing	273,463	284,792
Amortization of Property, Plant and Equipment	252,714	247,912
Intensive Case Management	38,662	-
	<b>5,091,983</b>	<b>5,478,664</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 114,575</b>	<b>\$ 152,973</b>



**CHOICES FOR YOUTH INC.**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	General Fund	Restricted Fund	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 143,305	\$ 1,769,194	<b>\$ 1,912,499</b>	\$ 1,759,526
Excess of revenues over expenditures	114,575	-	<b>114,575</b>	152,973
Transfer to internally restricted net assets <i>(Note 7)</i>	(48,850)	48,850	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 209,030</b>	<b>\$ 1,818,044</b>	<b>\$ 2,027,074</b>	<b>\$ 1,912,499</b>

**CHOICES FOR YOUTH INC.**  
**Statement of Financial Position**  
**March 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 139,969	\$ 1,583
Term deposits	116,409	327,135
Accounts receivable	1,011,248	825,643
Harmonized sales tax recoverable	61,584	59,196
Prepaid expenses	30,110	23,143
	<b>1,359,320</b>	<b>1,236,700</b>
PROPERTY, PLANT AND EQUIPMENT (Note 3)	<b>5,824,849</b>	<b>5,681,171</b>
	<b>\$ 7,184,169</b>	<b>\$ 6,917,871</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 673,304	\$ 402,670
Current portion of long term debt (Note 5)	50,700	48,000
Deferred revenue	210,978	481,164
	<b>934,982</b>	<b>931,834</b>
LONG TERM DEBT (Note 5)	<b>394,470</b>	<b>382,029</b>
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS (Note 6)	<b>3,827,643</b>	<b>3,691,509</b>
	<b>5,157,095</b>	<b>5,005,372</b>
<b>NET ASSETS</b>		
General fund	209,030	143,305
Restricted fund (Note 7)	1,818,044	1,769,194
	<b>2,027,074</b>	<b>1,912,499</b>
	<b>\$ 7,184,169</b>	<b>\$ 6,917,871</b>

ON BEHALF OF THE BOARD

 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

**CHOICES FOR YOUTH INC.****Statement of Cash Flows****Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 114,575	\$ 152,973
Items not affecting cash:		
Amortization of property, plant and equipment	252,714	247,912
Amortization of deferred government assistance	(199,638)	(201,325)
	<b>167,651</b>	<b>199,560</b>
Changes in non-cash working capital:		
Accounts receivable	(185,605)	(270,770)
Accounts payable and accrued liabilities	270,635	80,806
Deferred revenue	(270,186)	(1,105,449)
Prepaid expenses	(6,967)	(4,636)
Harmonized sales tax recoverable	(2,388)	33,100
	<b>(194,511)</b>	<b>(1,266,949)</b>
Cash flow used by operating activities	<b>(26,860)</b>	<b>(1,067,389)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(396,392)	(103,432)
Increase in deferred government assistance	335,772	103,412
Cash flow used by investing activities	<b>(60,620)</b>	<b>(20)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	58,048	169,184
Repayment of callable debt	-	(90,805)
Repayment of long term debt	(42,908)	(24,713)
Cash flow from financing activities	<b>15,140</b>	<b>53,666</b>
<b>DECREASE IN CASH FLOW</b>	<b>(72,340)</b>	<b>(1,013,743)</b>
Cash - beginning of year	328,718	1,342,461
<b>CASH - END OF YEAR</b>	<b>\$ 256,378</b>	<b>\$ 328,718</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 139,969	\$ 1,583
Term deposits	116,409	327,135
	<b>\$ 256,378</b>	<b>\$ 328,718</b>



**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2016**

---

**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
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.

*(continues)*

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2016**

**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	2016 Net book value	2015 Net book value
Land	\$ 1,140,607	\$ -	\$ 1,140,607	\$ 1,140,607
Building	6,231,026	1,635,078	4,595,948	4,491,850
Motor vehicles	51,370	7,705	43,665	-
Computer equipment	74,786	60,580	14,206	13,965
Furniture and office equipment	254,443	224,020	30,423	34,749
	\$ 7,752,232	\$ 1,927,383	\$ 5,824,849	\$ 5,681,171

**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, 2016 is \$nil (2015 - \$nil).

**5. LONG TERM DEBT**

	2016	2015
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.	\$ 318,440	\$ 348,529
Toronto Dominion loan bearing interest at 4.072% per annum, repayable in monthly blended payments of \$1,246. 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.	70,294	81,500

(continues)

**CHOICES FOR YOUTH INC.**  
**Notes to Financial Statements**  
**Year Ended March 31, 2016**

**5. LONG TERM DEBT (continued)**

	2016	2015
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 \$43,665.	56,436	-
	<b>445,170</b>	430,029
Amounts payable within one year	<b>(50,700)</b>	(48,000)
	<b>\$ 394,470</b>	<b>\$ 382,029</b>

Principal repayment terms are approximately:

2017	\$ 50,700
2018	54,700
2019	58,700
2020	61,700
2021	63,700
Thereafter	155,670
	<u>\$ 445,170</u>

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

	2016	2015
Beginning balance	\$ 3,691,509	\$ 3,789,442
Government assistance on depreciable capital assets	335,772	103,392
Amortization of deferred government assistance	<b>(199,638)</b>	(201,325)
	<b>\$ 3,827,643</b>	<b>\$ 3,691,509</b>

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

The first loan has an unforgiven balance of \$44,200 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 \$915,134 and \$201,094, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of \$900,600 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 \$2,089,639 and \$310,710, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of \$656,250 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 \$1,151,993 and \$511,125, 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 (2015 - \$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 \$117,128 (2015 - \$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 \$1,608,473 (2015 - \$1,559,633) 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, 2016 the Organization had cash of \$139,969. 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.