CHOICES FOR YOUTH INC.

Financial Statements

Year Ended March 31, 2021

Independent Auditor's Report

To the Directors of Choices for Youth Inc.:

Qualified Opinion

We have audited the financial statements of Choices for Youth Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenses, 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, 2021, 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 (ASNFPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2021, current assets and net assets as at March 31, 2021. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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

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

MNP LLP

October 20, 2021

Chartered Professional Accountants

CHOICES FOR YOUTH INC.

Statement of Revenues and Expenses

Year Ended March 31, 2021

	2021	2020
REVENUES		
Government of Newfoundland and Labrador	**$ 3,140,798**	$ 3,140,798
Employment and Social Development Canada *(Note 6)*	**2,768,182**	2,582,600
Donations, Fundraising and Miscellaneous Income	**800,643**	549,442
Social Enterprise *(Note 7)*	**808,498**	499,799
Eastern Health	**238,129**	258,053
Amortization of Deferred Government Assistance *(Note 11)*	**246,376**	242,901
Rent	**231,671**	310,446
City of St. John's	**15,891**	204,566
Interest	**5,831**	19,906
	8,256,019	7,808,511
PROGRAM EXPENSES		
Social Enterprise and Employment Programming	**2,635,792**	2,032,988
The Lilly	**842,003**	743,718
Youth Engagement and Outreach	**725,198**	782,790
Shelter Operations	**646,911**	634,183
Family First Programming	**610,338**	437,818
Rally Forward	**934,924**	965,172
Homelessness Partnership Strategy	**22,585**	208,068
	6,417,751	5,804,737
OTHER EXPENSES		
Administration	**971,691**	1,310,460
Amortization of Capital Assets	**331,337**	318,167
Fund Development	**175,566**	176,758
Communications	**109,141**	123,337
Provincial Expansion	**148,712**	118,874
	1,736,447	2,047,596
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	**$ 101,821**	$ (43,822)

See notes to financial statements

CHOICES FOR YOUTH INC.
Statement of Changes in Net Assets
Year Ended March 31, 2021

	General Fund	Restricted Funds (Note 8)	**2021**	2020
NET ASSETS - BEGINNING OF YEAR	$ 17,523	$ 2,034,952	**$ 2,052,475**	$ 2,096,297
Excess (Deficiency) of revenues over expenses	101,821	-	**101,821**	(43,822)
Transfer from internally restricted net assets *(Note 9)*	(130,873)	130,873	**-**	-
NET ASSETS - END OF YEAR	$ (11,529)	$ 2,165,825	**$ 2,154,296**	$ 2,052,475

See notes to financial statements

CHOICES FOR YOUTH INC.
Statement of Financial Position
March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	**$ 1,745,454**	$ 203,413
Accounts receivable	**511,756**	688,999
Harmonized sales tax recoverable	**72,194**	87,336
Prepaid expenses	**45,755**	28,882
	2,375,159	1,008,630
CAPITAL ASSETS *(Note 3)*	**5,612,187**	5,742,357
	$ 7,987,346	$ 6,750,987
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**$ 452,943**	$ 367,611
Current portion of long term debt *(Note 10)*	**434,531**	67,667
Employee deductions payable	**72,027**	50,498
Deferred revenue *(Note 5)*	**1,585,613**	296,894
	2,545,114	782,670
LONG TERM DEBT *(Note 10)*	**137,909**	572,439
DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS *(Note 11)*	**3,150,027**	3,343,403
	5,833,050	4,698,512
NET ASSETS		
General fund	**(11,529)**	17,523
Restricted funds *(Note 8)*	**2,165,825**	2,034,952
	2,154,296	2,052,475
	$ 7,987,346	$ 6,750,987

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

See notes to financial statements

CHOICES FOR YOUTH INC.
Statement of Cash Flows
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	$ 101,821	$ (43,822)
Items not affecting cash:		
Amortization of capital assets	331,337	318,167
Amortization of deferred government assistance	(246,376)	(242,901)
	186,782	31,444
Changes in non-cash working capital:		
Accounts receivable	177,243	(430,353)
Accounts payable and accrued liabilities	85,332	(10,462)
Deferred revenue	1,288,719	(222,279)
Prepaid expenses	(16,873)	(12,986)
Harmonized sales tax payable	15,142	19,527
Employee deductions payable	21,529	(12,633)
	1,571,092	(669,186)
Cash flow from (used by) operating activities	1,757,874	(637,742)
INVESTING ACTIVITY		
Purchase of capital assets	(201,166)	(282,127)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	200,000
Repayment of long term debt	(67,667)	(67,667)
Proceeds of deferred government assistance	53,000	52,324
Cash flow from (used by) financing activities	(14,667)	184,657
INCREASE (DECREASE) IN CASH FLOW	1,542,041	(735,212)
Cash - beginning of year	203,413	938,625
CASH - END OF YEAR	$ 1,745,454	$ 203,413
CASH CONSISTS OF:		
Cash	$ 1,745,454	$ 203,413

See notes to financial statements

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. 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. 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).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

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.

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

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets 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

Capital assets are amortized once placed into use.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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 capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	**2021 Net book value**	2020 Net book value
Land	$ 1,140,607	$ -	**$ 1,140,607**	$ 1,140,607
Buildings	7,249,320	2,974,187	**4,275,133**	4,443,264
Motor vehicles	212,186	124,726	**87,460**	45,922
Computer equipment	149,295	99,570	**49,725**	65,358
Furniture and office equipment	346,880	287,618	**59,262**	47,206
	$ 9,098,288	$ 3,486,101	**$ 5,612,187**	$ 5,742,357

Included in the cost of buildings is a total of $23,628 for the Youth Parents' Resource Centre. This asset is not in use, therefore amortization has not been calculated on the cost.

4. 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% per annum and is secured by a general security agreement. The balance on this credit line as of March 31, 2021 is $nil (2020 - $nil).

5. DEFERRED REVENUE

	Opening Balance	Recognized in revenue in the year	Deferred in the year	**2021**	2020
Home Depot Foundation	$ 125,000	$ 125,000	$ -	**$ -**	$ 125,000
City of St. John's	100,000	-	-	**100,000**	100,000
Newfoundland and Labrador Workforce Innovation Centre	71,894	210,293	222,072	**83,673**	71,894
Government of Canada	-	-	914,267	**914,267**	-
Newfoundland and Labrador Integrated Service Delivery	-	-	349,000	**349,000**	-
Government of Newfoundland and Labrador	-	-	138,673	**138,673**	-
	296,894	335,293	1,624,012	**1,585,613**	296,894
	$ 296,894	$ 335,293	$ 1,624,012	**$ 1,585,613**	$ 296,894

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.

6. 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:

	2021	2020
Social Enterprise and Employment Programming	**$ 1,687,310**	$ 1,452,972
Administration	**320,369**	594,897
Family First Programming	**481,152**	415,745
Provincial Expansion	**279,351**	118,986
	$ 2,768,182	$ 2,582,600

In addition, funding of $nil (2020 - $52,324) 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.

7. 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 6.

8. 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.

	2021	2020
Young Parents Resource Centre Capital Fund (externally restricted)	**$ 276,105**	$ 276,105
Investment in Capital Assets (internally restricted)	**1,889,720**	1,758,847
	$ 2,165,825	$ 2,034,952

9. 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.

10. LONG TERM DEBT

	2021	2020
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 $1,089,536.	**$ 167,996**	$ 198,085
TD Canada Trust loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $1,019 plus interest. The loan matures on December 22, 2021 and is secured by the Carter's Hill building with a net book value of $785,730.	**9,169**	21,394
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 $7,338.	**8,062**	17,736
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 $16,740.	**12,213**	27,891

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10. LONG TERM DEBT *(continued)*

	2021	2020
R. Howard Webster Foundation loan bearing interest at 3.7% per annum, interest repayable in quarterly payments. The loan is not yet fully advanced and will not become repayable until the loan is advanced in full and the construction of 48 Cashin Avenue is complete, which is expected in the upcoming year. The only payments made are interest payments. The loan is secured by the land at 43 Janeway Place and 48 Cashin Avenue with a net book value of $541,081.	**375,000**	375,000
	572,440	640,106
Amounts payable within one year (see note below)	**(434,531)**	(67,667)
	$ 137,909	$ 572,439

Principal repayment terms are approximately:

2022	$ 434,531
2023	30,088
2024	30,088
2025	30,088
2026	30,088
Thereafter	17,557
	$ 572,440

The current portion includes required payments under the loan agreements above, as well as a payout of the R. Howard Webster Foundation loan as it is management's intention to pay out that loan in the next fiscal year.

The Organization is also a party to four forgivable mortgages with Newfoundland and Labrador Housing Corporation (see Note 10).

11. DEFERRED CONTRIBUTIONS RELATED TO DEPRECIABLE CAPITAL ASSETS

	2021	2020
Beginning balance	**$ 3,343,403**	$ 3,533,980
Government assistance on depreciable capital assets	**53,000**	52,324
Amortization of deferred government assistance	**(246,376)**	(242,901)
	$ 3,150,027	$ 3,343,403

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

The first loan has an unforgiven balance of $nil (2020 - $nil) 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 $581,637 (2020 - $648,711) and $201,094 (2020 - $201,094), respectively have been provided as security for this loan.

The second loan has an unforgiven balance of $800,533 (2020 - $863,733) 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 $1,539,893 (2020 - $1,649,842) and $310,710 (2020 - $310,710), respectively have been provided as security for this loan.

The third loan has an unforgiven balance of $343,750 (2020 - $381,250) 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 $878,412 (2020 - $933,128) and $511,125 (2020 - $511,125), respectively have been provided as security for this loan.

The fourth loan has an unforgiven balance of $555,000 (2020 - $585,000) 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 $734,110 (2020 - $770,278) and $117,678 (2020 - $117,678), respectively have been provided as security for this loan.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Organization has exposure to credit risk, liquidity risk, and market 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.

Concentration of credit risk

Accounts receivable from two customers in connection with the social enterprise project, Impact Construction, represents 33% (2020 - 12%) of total accounts receivable as at March 31, 2021. In addition, accounts receivable from one funder represents 43% (2020 - 40%) of total accounts receivable as at March 31, 2021. The Organization believes that there is minimal risk associated with the collection of these amounts. 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.

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, 2021 the Organization had a cash balance of $1,745,454. 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 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.

13. COVID-19

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.