
YOUTH WITHOUT SHELTER

FINANCIAL STATEMENTS

MARCH 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members,
Youth Without Shelter

We have audited the accompanying financial statements of Youth Without Shelter which comprise the statement of financial position as at March 31, 2017, and the statements of changes in net assets, operations 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, the shelter derives revenue from donation and fundraising revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the shelter, and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

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 Youth Without Shelter as at March 31, 2017, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

June 14, 2017
Toronto, Ontario


YOUTH WITHOUT SHELTER

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 838,910	\$ 518,196
Short-term investments (note 3 and 9)	68,207	221,705
Accounts receivable	37,238	30,503
HST rebates receivable	39,404	28,755
Prepaid expenses and deposits	<u>19,312</u>	<u>19,946</u>
	1,003,071	819,105
Internally restricted investments (note 9)	586,305	599,817
Property and equipment (note 4)	1,981,307	2,049,348
Assets held in trust (note 5)	<u>10,432</u>	<u>10,766</u>
	<u>\$ 3,581,115</u>	<u>\$ 3,479,036</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 73,544	\$ 75,750
Deferred revenue (note 6)	<u>247,541</u>	<u>180,159</u>
	321,085	255,909
Deferred property and equipment grants (note 7)	818,932	730,159
Long-term forgivable capital loan (note 8)	767,001	920,334
Funds held in trust (note 5)	<u>10,432</u>	<u>10,766</u>
	<u>1,917,450</u>	<u>1,917,168</u>
Net assets		
Invested in property and equipment	395,374	398,855
Internally restricted funds (note 9)	586,305	599,817
Unrestricted	<u>681,986</u>	<u>563,196</u>
	<u>1,663,665</u>	<u>1,561,868</u>
	<u>\$ 3,581,115</u>	<u>\$ 3,479,036</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

YOUTH WITHOUT SHELTER

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2017

	Invested in property and equipment	Internally restricted (see note 9)	Unrestricted net assets	Total
NET ASSETS, MARCH 31, 2015	\$ 404,874	\$ 449,817	\$ 526,649	\$ 1,381,340
Excess of revenue over expenses for the year			180,528	180,528
Net amortization for the year	(6,019)		6,019	
Transfers from unrestricted net assets		150,000	(150,000)	
Property and equipment purchases	43,478		(43,478)	
Property and equipment grants received	<u>(43,478)</u>	<u> </u>	<u>43,478</u>	<u> </u>
NET ASSETS, MARCH 31, 2016	398,855	599,817	563,196	1,561,868
Excess of revenue over expenses for the year			101,797	101,797
Net amortization for the year	(3,481)		3,481	
Transfer to unrestricted net assets		(13,512)	13,512	
Property and equipment purchases	66,885		(66,885)	
Property and equipment grants received	<u>(66,885)</u>	<u> </u>	<u>66,885</u>	<u> </u>
NET ASSETS, MARCH 31, 2017	<u>\$ 395,374</u>	<u>\$ 586,305</u>	<u>\$ 681,986</u>	<u>\$ 1,663,665</u>

see accompanying notes

YOUTH WITHOUT SHELTER

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
REVENUE		
City of Toronto		
Per diem fees	\$ 1,101,334	\$ 1,057,473
Community Housing Support	100,000	98,919
Investing in Neighbourhoods		9,747
Donations and fundraising (note 10)	905,273	1,049,544
Grants	406,358	367,236
Amortization of property and equipment grants	131,445	121,189
Other	<u>35,340</u>	<u>7,367</u>
	<u>2,679,750</u>	<u>2,711,475</u>
EXPENSES		
Salaries and benefits	1,499,225	1,498,557
Administration and operational		
Materials and services	291,887	242,932
Food services	185,593	187,402
Residents' needs	171,607	188,500
Transportation, insurance and other	51,228	64,616
Property management and building		
Building maintenance and services	178,900	163,023
Utilities and property tax	64,587	58,709
Amortization	<u>134,926</u>	<u>127,208</u>
	<u>2,577,953</u>	<u>2,530,947</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	101,797	180,528
Net assets, beginning of year	<u>1,561,868</u>	<u>1,381,340</u>
NET ASSETS, END OF YEAR	<u>\$ 1,663,665</u>	<u>\$ 1,561,868</u>

see accompanying notes

YOUTH WITHOUT SHELTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 101,797	\$ 180,528
Add back (deduct) non-cash items:		
Amortization expense	134,926	127,208
Amortization of deferred property and equipment grants	(131,445)	(121,189)
In-kind contributions	(344,072)	(353,097)
In-kind expenses - food and residents' needs	344,072	353,097
Net change in working capital items:		
(Increase) decrease in accounts receivable	(6,735)	13,821
(Increase) decrease in HST rebates receivable	(10,649)	3,890
Decrease in prepaid expenses and deposits	634	1,746
Increase (decrease) in accounts payable and accrued liabilities	(2,206)	8,492
Increase in deferred revenue	<u>67,382</u>	<u>73,854</u>
Net cash generated from operations	<u>153,704</u>	<u>288,350</u>
INVESTING ACTIVITIES		
Sale (purchase) of short and long term investments	167,010	(125,569)
Purchase of property and equipment	<u>(66,885)</u>	<u>(43,478)</u>
Net generated from (used in) investment activities	<u>100,125</u>	<u>(169,047)</u>
FINANCING ACTIVITIES		
Property and equipment grants received	<u>66,885</u>	<u>43,478</u>
NET CASH GENERATED IN THE YEAR	320,714	162,781
Cash, beginning of year	<u>518,196</u>	<u>355,415</u>
CASH, END OF YEAR	<u>\$ 838,910</u>	<u>\$ 518,196</u>

see accompanying notes

YOUTH WITHOUT SHELTER

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

Youth Without Shelter (the "shelter") is a registered charity incorporated in the Province of Ontario without share capital. It is incorporated under the name Youth Without Shelter Terra House North Toronto Emergency and Referral Agency. The shelter is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The shelter operates two facilities with a link between the two buildings. The original shelter operates a 33-bed residence in Toronto for temporary shelter and provides a supportive environment for youth in times of personal and family crisis. The second building offers a stay-in-school program for an additional 20 youth by providing long-term transitional housing and support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Financial instruments

Financial instruments include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Short-term investments are measured at fair value calculated at original purchase price plus accrued interest. All other financial instruments are recorded at cost.

Property and equipment

Property and equipment is recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their estimated useful lives as follows:

Building	- 25 years straight line
Furniture and fixtures	- 20% declining balance
Computer equipment	- 30% declining balance
Vehicle	- 30% declining balance

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Government funding for providing youth accommodation is recognized when services are rendered.
- ii) The shelter follows the deferral method of revenue recognition. Government assistance and grants related to current expenditures is reflected in the accounts as a revenue item in the current year. Amounts received in the year for expenses to be incurred in the following fiscal year are recorded as deferred revenue. Assistance related to the purchase of property and equipment is recorded as revenue in the same period the related property and equipment are charged to operations. Assistance related to the purchase of land is recorded as a direct addition to net assets in the year of receipt.
- iii) Investment income is recorded when earned.
- iv) Fundraising revenue is recognized when the event occurs.
- v) Other revenue is recorded when funds are received. Pledged donations are not recorded until received. Donated property and equipment is recorded at fair market value when the value can be reasonably estimated.

YOUTH WITHOUT SHELTER

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, significant assumptions have been made in arriving at the fair value of donated assets, materials and services recorded annually in the financial statements and in the calculation of net book value of property and equipment.

2. FINANCIAL RISKS

Financial instruments expose the shelter to risks which may affect the cash flows of the organization. The following are those financial instruments considered particularly significant and their related financial risks:

Credit risk arises from the possibility that per diem fees and other revenue are not paid. Accounts receivable are regularly monitored to minimize the risk of lost revenue. The shelter's losses from uncollected revenue have been minimal.

Interest rate risk results from fluctuations in market interest rates. The shelter holds fixed rate guaranteed investment certificates and fluctuations in market interest rates do not affect future cash flows.

Liquidity risk is the risk that the shelter will not be able to meet its obligations associated with financial liabilities. The shelter expects to meet its financial obligations for accounts payable and accrued liabilities through cash flows from operations.

3. INVESTMENTS

Short-term investments and internally restricted investments are guaranteed investment certificates issued by a major Canadian chartered bank, which have interest rates ranging from 0.85% to 0.95% and with maturities ranging from May 2017 to October 2018.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Cost	Accumulated Amortization	2017 Net	2016 Net
Land	<u>\$ 371,162</u>		<u>\$ 371,162</u>	<u>\$ 371,162</u>
Building	2,515,739	(989,321)	1,526,418	1,570,660
Furniture and fixtures	243,482	(175,806)	67,676	84,595
Computer equipment	38,795	(29,902)	8,893	12,705
Vehicle	<u>69,661</u>	<u>(62,503)</u>	<u>7,158</u>	<u>10,226</u>
	<u>2,867,677</u>	<u>(1,257,532)</u>	<u>1,610,145</u>	<u>1,678,186</u>
Total property and equipment	<u>\$ 3,238,839</u>	<u>\$ (1,257,532)</u>	<u>\$ 1,981,307</u>	<u>\$ 2,049,348</u>

YOUTH WITHOUT SHELTER

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MARCH 31, 2017

5. FUNDS ADMINISTERED FOR OTHERS

The shelter is administering funds of \$10,432 (2016 - \$10,766) on behalf of the Youth Shelter Interagency Network. The funds are held in cash.

6. DEFERRED REVENUE

Deferred revenue is composed of the following:

	2017	2016
Prepaid fundraising event revenue	\$ 74,458	\$ 52,644
Other program funding	<u>173,083</u>	<u>127,515</u>
	<u>\$ 247,541</u>	<u>\$ 180,159</u>

Continuity of deferred revenue for the year is as follows:

Deferred revenue, beginning of year	\$ 180,159	\$ 106,305
Add restricted contributions received and unspent in year	247,541	180,159
Less - restricted contributions spent in year	<u>(180,159)</u>	<u>(106,305)</u>
Deferred revenue, end of year	<u>\$ 247,541</u>	<u>\$ 180,159</u>

7. DEFERRED PROPERTY AND EQUIPMENT GRANTS

Deferred property and equipment grants comprise the following:

	2017	2016
Building	\$ 755,946	\$ 648,558
Furniture and fixtures	46,939	58,674
Computer equipment	8,889	12,701
Vehicle	<u>7,158</u>	<u>10,226</u>
	<u>\$ 818,932</u>	<u>\$ 730,159</u>

Continuity of deferred property and equipment grants for the year is as follows:

Deferred property and equipment grants, beginning of year	\$ 730,159	\$ 654,870
Add - property and equipment grants received in year	220,218	196,478
Less - grants amortized to revenue in year	<u>(131,445)</u>	<u>(121,189)</u>
Deferred property and equipment grants, end of year	<u>\$ 818,932</u>	<u>\$ 730,159</u>

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8. LONG-TERM FORGIVABLE CAPITAL LOAN

The Canada Mortgage and Housing Corporation ("CMHC") has provided a forgivable capital loan to a maximum of \$2,300,000 for a term of 15 years. Funds borrowed on this loan are recorded as part of the capital grants. The unforgiven portion of the loan at March 31, 2017 is \$767,001 (\$920,334 at March 31, 2016).

Forgiveness of the loan is earned at a rate of one-fifteenth of the original principal amount for each year that the shelter continues to own and use the property for youth shelter services. As the loan is forgiven, the contribution to the shelter will be treated as follows:

- The portion of the contribution related to land, estimated at \$371,162, was recorded as a direct increase in net assets in the first year of forgiveness.
- The portion of the contribution related to the cost of the building, leasehold improvements, and furniture and equipment has been deferred and is recognized as revenue over the life of the assets.

The forgivable loan is secured by a first mortgage on the property for the full amount of the loan and a General Assignment of revenues and a first security interest in chattels.

9. INTERNALLY RESTRICTED INVESTMENTS AND NET ASSETS

The Board of Directors designated a portion of net assets to be set aside in reserves. The shelter Board maintains certain cash and guaranteed investment certificates in segregated accounts which are designated for internally restricted purposes.

Capital reserve

The shelter established a Capital reserve to provide for receipt of funds designated by the donor for general or specific capital purposes or directed to this account from general or specific fundraising activities of the shelter. The reserve funds will be used for capital replacement, acquisition, renovation or for unforeseen working capital requirements, as approved by the shelter's Board of Directors. The reserve was drawn down by \$13,512 in 2017 (increased by \$50,000 in 2016).

Contingency reserve

The Contingency reserve was established to preserve the provision of service in the event of a shortfall in contributions, or in the event of disaster or any such other emergency. The reserve is not to exceed 180 days of the shelter's operating expenditures from the previous year. Funds contributed are from the shelter's own fundraising efforts or from donations. It is the intention of the shelter to add to the Contingency reserve until the maximum of 180 days of operating expenditures is attained.

Long Term Development Fund

In 2016, the Board of Directors established the Long Term Development Fund to be used for a feasibility study and research into possible expansion and other strategic initiatives as outlined in the shelter's strategic plan.

YOUTH WITHOUT SHELTER

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

9. INTERNALLY RESTRICTED INVESTMENTS AND NET ASSETS (continued)

Internally restricted funds comprise the following:

	2017	2016
Capital reserve	\$ 286,305	\$ 299,817
Contingency reserve	250,000	250,000
Long Term Development Fund	<u>50,000</u>	<u>50,000</u>
	<u>\$ 586,305</u>	<u>\$ 599,817</u>

10. DONATIONS AND FUNDRAISING REVENUE

	2017	2016
Cash donations	\$ 333,828	\$ 450,383
Fundraising	227,373	246,064
Donations in-kind:		
Residents' food	126,959	142,667
Residents' personal needs	90,295	100,987
Marketing services	<u>126,818</u>	<u>109,443</u>
	<u>\$ 905,273</u>	<u>\$ 1,049,544</u>

Amounts equal to donated in-kind goods and services is recorded in the applicable expense category on the statement of operations.