
HORIZONS FOR YOUTH

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members,
Horizons for Youth

We have audited the accompanying financial statements of Horizons for Youth which comprise the statement of financial position as at December 31, 2017, and the statements of operations and changes in fund balances 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 organization derives revenue from fundraising and donation 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 organization, and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue and excess of revenue over expenses for the year for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1, 2016 and 2015 and December 31, 2017 and 2016.

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 Horizons for Youth as at December 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 Professional Accountants
Licensed Public Accountants


June 26, 2018
Toronto, Ontario

HORIZONS FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 212,428	\$ 211,734
Short-term investments (note 3)	369,890	354,573
Amounts receivable	17,168	8,707
Sales taxes recoverable	9,483	10,123
Prepaid expenses	<u>22,252</u>	<u>22,656</u>
	631,221	607,793
Property and equipment (note 4)	<u>169,426</u>	<u>208,410</u>
	<u>\$ 800,647</u>	<u>\$ 816,203</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22,829	\$ 23,795
Deferred revenue (note 5)	<u>14,167</u>	<u> </u>
	36,996	23,795
Deferred property and equipment grants (note 5)	<u>138,739</u>	<u>166,331</u>
	175,735	190,126
Net assets		
Unrestricted	<u>624,912</u>	<u>626,077</u>
	<u>\$ 800,647</u>	<u>\$ 816,203</u>

Approved on behalf of the Board:


 _____, Director


 _____, Director

see accompanying notes

HORIZONS FOR YOUTH

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Revenue		
Government funding (note 7)	\$1,050,173	\$1,013,714
United Way	196,054	197,473
Fundraising and donations (note 8)	141,358	202,471
Property and equipment grant amortization (note 5)	27,592	30,597
Interest and other	16,528	1,988
	<u>1,431,705</u>	<u>1,446,243</u>
Expenses		
Shelter program	947,299	893,860
Building maintenance	191,515	180,486
Housing Help program	83,987	84,702
Administration	62,183	62,720
Residents' needs	62,206	57,606
Development	22,780	13,273
Household	19,190	25,421
Amortization	43,710	41,744
	<u>1,432,870</u>	<u>1,359,812</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(1,165)	86,431
Net assets, beginning of year	<u>626,077</u>	<u>539,646</u>
NET ASSETS, END OF YEAR	<u>\$ 624,912</u>	<u>\$ 626,077</u>

see accompanying notes

HORIZONS FOR YOUTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (1,165)	\$ 86,431
Add back non-cash items:		
Amortization of property and equipment grants	(27,592)	(30,597)
Amortization expense	43,710	41,744
Net change in non-cash working capital items:		
(Increase) decrease in amounts receivable	(8,461)	56,572
Decrease in sales taxes recoverable	640	8,095
Decrease in prepaid expenses	404	4,895
Increase (decrease) in accounts payable and accrued liabilities	(966)	7,119
Increase (decrease) in deferred revenue	14,167	(13,061)
Cash generated from operations	<u>20,737</u>	<u>161,198</u>
FINANCING ACTIVITIES		
Sale (purchase) of short-term investments	(15,317)	(1,780)
Increase in deferred property and equipment grants		<u>50,000</u>
Cash generated from (used in) financing activities	<u>(15,317)</u>	<u>48,220</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,726)</u>	<u>(76,083)</u>
NET INCREASE IN CASH FOR THE YEAR	694	133,335
Cash, beginning of year	<u>211,734</u>	<u>78,399</u>
CASH, END OF YEAR	<u>\$ 212,428</u>	<u>\$ 211,734</u>

see accompanying notes

HORIZONS FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Horizons for Youth is incorporated in the Province of Ontario as "Housing for Youth in the City of York Corporation", a corporation without share capital. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

Horizons for Youth provides a housing facility and related programs for youth in transition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant accounting policies are as follows:

Financial instruments

Financial instruments include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Cash is measured at fair value. 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 other than land are amortized at rates designed to write-off the cost of the assets over their useful lives. Amortization is calculated on the straight-line method - five years for furniture, fixtures and equipment and 10 years for renovations to the building.

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 amortization rates for property and equipment and deferred grant revenue. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Revenue recognition

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

- i) The organization follows the deferral method of revenue recognition. Grant revenue is recognized when the services specified under the terms of the grant have been satisfied. Based on the terms of the funding agreement, grants are paid to the organization as a fixed amount, on a staff time-basis, or as a fixed amount per measure of output. Terms range from less than one year to 2 years. The amount of revenue recognized is based on the services delivered in the period. Any grant funds unspent at year end are recorded as deferred revenue.

Grants related to the purchase of property and equipment are recorded as revenue in the same period the related property and equipment are charged to operations.

- ii) Fundraising and donation revenue is recorded when funds are received. Donated materials and services which are normally purchased by the organization are not recorded in the accounts.
- iii) Interest and other revenue is recorded when earned.

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2. FINANCIAL RISKS

Financial instruments expose the organization to risks which may affect the cash flows of the organization. Specifically:

Interest rate risk is the risk that fluctuations in interest rates will reduce the organization's cash flow from investments. The organization's cash and short-term investments include fixed rate instruments with maturities that are generally reinvested as they mature. The organization has exposure to interest rate movements that occur beyond the term of maturity of the fixed rate investments.

Credit risk arises from the possibility that fees are not paid. Fee receivables are monitored and followed-up by management to minimize the risk of lost revenue.

3. SHORT-TERM INVESTMENTS

Short-term investments comprise cash and a guaranteed investment certificate held with a major Canadian chartered bank that matures in January 2018. Approximately 75% of GIC returns is linked to Canadian equity growth in the stock market. The balance of the funds earn 2% interest.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2017 Net	2016 Net
Building	\$ 138,146	\$ (55,260)	\$ 82,886	\$ 96,701
Furniture, fixtures and equipment	<u>277,986</u>	<u>(191,447)</u>	<u>86,539</u>	<u>111,708</u>
	416,132	(246,707)	169,425	208,409
Land	<u>1</u>	<u></u>	<u>1</u>	<u>1</u>
	<u>\$ 416,133</u>	<u>\$ (246,707)</u>	<u>\$ 169,426</u>	<u>\$ 208,410</u>

The original land and building owned and used by the organization were purchased and constructed primarily with capital grants received from the Ontario Ministry of Community and Social Services and sales tax rebates. These grants and rebates have been deducted from the cost of the assets as follows:

	Original Cost	Grants Received	Carrying Value
Land	\$ 819,549	\$ (819,548)	\$ 1
Building	<u>1,817,028</u>	<u>(1,817,027)</u>	<u>1</u>
	<u>\$ 2,636,577</u>	<u>\$ (2,636,575)</u>	<u>\$ 2</u>

Under terms of the capital funding agreement with the Province of Ontario, Horizons for Youth may not dispose of or significantly change the use of land and building without prior written permission from the Ministry of Community and Social Services.

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5. DEFERRED REVENUE

Deferred revenue is composed of the following:

	2017	2016
Home Depot	\$ 10,000	\$ nil
Toronto Advisory Council	4,167	
	<u>\$ 14,167</u>	<u>\$ nil</u>

6. DEFERRED PROPERTY AND EQUIPMENT GRANTS

Deferred property and equipment grants are composed of the following amounts:

	2017	2016
City of Toronto	\$ 91,627	\$ 159,219
Ontario Trillium Foundation	27,112	7,112
Home Depot	20,000	
Total deferred property and equipment grants	<u>\$ 138,739</u>	<u>\$ 166,331</u>

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

Deferred property and equipment grant, beginning of year	\$ 166,331	\$ 146,928
Less property and equipment grant revenue amortized	<u>(27,592)</u>	<u>(30,597)</u>
Deferred property and equipment grants, end of year	<u>\$ 138,739</u>	<u>\$ 166,331</u>

7. GOVERNMENT FUNDING

Funding from the City of Toronto is comprised of the following:

	2017	2016
Per diem fees	\$ 918,811	\$ 906,334
Hostel Re-direct	87,060	87,069
Investing in Neighbourhoods	25,604	19,937
Capacity Building	10,000	
Training	8,698	
Mattresses and beds		374
	<u>\$ 1,050,173</u>	<u>\$ 1,013,714</u>

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8. FUNDRAISING AND DONATIONS

Fundraising and donation revenue was received from the following sources:

	2017	2016
Foundations	\$ 66,839	\$ 102,550
Corporations	26,052	46,200
Individuals	13,779	11,652
Special events and other	34,688	42,069
	<u>\$ 141,358</u>	<u>\$ 202,471</u>