
HORIZONS FOR YOUTH

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members,
Horizons for Youth

Qualified Opinion

We have audited the financial statements of Horizons for Youth which comprise the statement of financial position as at December 31, 2018, and the statements of operations and 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 of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Horizons for Youth as at December 31, 2018 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising revenue, the completeness of which is not susceptible of satisfactory audit verification. Donation and fundraising revenue is therefore limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments to these amounts were necessary for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1, 2018 and 2017 and December 31, 2018 and 2017.

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 and Those Charged with Governance 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 Horizons for Youth'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 Horizons for Youth or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Horizons for Youth's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Horizons for Youth'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 Horizons for Youth's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 Horizons for Youth 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

Cowperthwaite Mehta

Chartered Professional Accountants
Licensed Public Accountants

May 21, 2019
Toronto, Ontario

HORIZONS FOR YOUTH

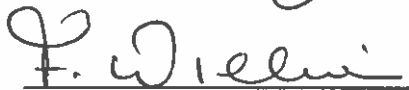
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
Current assets		
Cash	\$ 168,095	\$ 212,428
Short-term investments (note 3)	512,967	369,890
Amounts receivable	26,299	17,168
Sales taxes recoverable	16,869	9,483
Prepaid expenses	<u>29,430</u>	<u>22,252</u>
	753,660	631,221
Property and equipment (note 4)	<u>194,510</u>	<u>169,426</u>
	<u>\$ 948,170</u>	<u>\$ 800,647</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,199	\$ 22,829
Deferred revenue (note 5)	<u>66,666</u>	<u>14,167</u>
	92,865	36,996
Deferred property and equipment grants (note 6)	<u>177,454</u>	<u>138,739</u>
	<u>270,319</u>	<u>175,735</u>
Net assets		
Capital Replacement Reserve (note7)	70,000	
Unrestricted	<u>607,851</u>	<u>624,912</u>
	<u>\$ 948,170</u>	<u>\$ 800,647</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, 2018

	2018	2017
Revenue		
Government funding (note 8)	\$1,023,388	\$1,024,569
Fundraising and donations (note 10)	211,300	141,358
United Way	195,232	196,054
Employment programs	74,358	25,604
Property and equipment grant amortization (note 5)	35,230	27,592
Interest and other	<u>9,938</u>	<u>16,528</u>
	<u>1,549,446</u>	<u>1,431,705</u>
Expenses		
Shelter program	1,012,636	947,301
Building maintenance	183,381	190,800
Housing Help program	79,474	83,987
Residents' needs	70,409	62,206
Administration	63,469	62,181
Development	16,213	23,495
Household	19,301	19,190
Amortization	<u>51,624</u>	<u>43,710</u>
	<u>1,496,507</u>	<u>1,432,870</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	52,939	(1,165)
Net assets, beginning of year	<u>624,912</u>	<u>626,077</u>
NET ASSETS, END OF YEAR	<u>\$ 677,851</u>	<u>\$ 624,912</u>

see accompanying notes

HORIZONS FOR YOUTH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ 52,939	\$ (1,165)
Add back non-cash items:		
Amortization of property and equipment grants	(35,230)	(27,592)
Amortization expense	51,624	43,710
Net change in non-cash working capital items:		
Increase in amounts receivable	(9,131)	(8,461)
(Increase) decrease in sales taxes recoverable	(7,386)	640
(Increase) decrease in prepaid expenses	(7,178)	404
Increase (decrease) in accounts payable and accrued liabilities	3,370	(966)
Increase in deferred revenue	<u>52,499</u>	<u>14,167</u>
Cash generated from operations	<u>101,507</u>	<u>20,737</u>
FINANCING ACTIVITIES		
Purchase of short-term investments	(143,077)	(15,317)
Increase in deferred property and equipment grants	<u>73,945</u>	<u> </u>
Cash used in financing activities	<u>(69,132)</u>	<u>(15,317)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(76,708)</u>	<u>(4,726)</u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(44,333)	694
Cash, beginning of year	<u>212,428</u>	<u>211,734</u>
CASH, END OF YEAR	<u>\$ 168,095</u>	<u>\$ 212,428</u>

see accompanying notes

HORIZONS FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

HORIZONS FOR YOUTH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 guaranteed investment certificates held with a major Canadian chartered bank that mature within the next twenty months. The GICs earn 0.8% to 2.2% interest.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2018 Net	2017 Net
Building improvements	\$ 212,409	\$ (76,501)	\$ 135,908	\$ 82,886
Furniture, fixtures and equipment	<u>280,431</u>	<u>(221,830)</u>	<u>58,601</u>	<u>86,539</u>
	492,840	(298,331)	194,509	169,425
Land	<u>1</u>	<u>_____</u>	<u>1</u>	<u>1</u>
	<u>\$ 492,841</u>	<u>\$ (298,331)</u>	<u>\$ 194,510</u>	<u>\$ 169,426</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:

	2018	2017
Home Depot	\$ 25,000	\$ 10,000
Maple Leaf Sports Entertainment	41,666	
Toronto Advisory Council		4,167
	<u>\$ 66,666</u>	<u>\$ 14,167</u>

6. DEFERRED PROPERTY AND EQUIPMENT GRANTS

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

	2018	2017
City of Toronto	\$ 58,842	\$ 91,627
Ontario Trillium Foundation	88,612	27,112
Home Depot	<u>30,000</u>	<u>20,000</u>
Total deferred property and equipment grants	<u>\$ 177,454</u>	<u>\$ 138,739</u>

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

Deferred property and equipment grant, beginning of year	\$ 138,739	\$ 166,331
Add cash received for property and equipment	73,945	
Less property and equipment grant revenue amortized	<u>(35,230)</u>	<u>(27,592)</u>
Deferred property and equipment grants, end of year	<u>\$ 177,454</u>	<u>\$ 138,739</u>

7. CAPITAL REPLACEMENT RESERVE

In 2018, the Board of Directors approved the establishment a Capital Replacement Reserve to maintain the building. As such, this reserve will be used to fund major capital items needed to keep the building at an acceptable standard.

8. GOVERNMENT FUNDING

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

	2018	2017
Per diem fees	\$ 930,820	\$ 912,572
Hostel Re-direct	87,068	87,060
Capacity Building		10,000
Training		8,698
Other	<u>5,500</u>	<u>6,239</u>
	<u>\$ 1,023,388</u>	<u>\$ 1,024,569</u>

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9. EMPLOYMENT PROGRAMS

Funding received for employment programs is comprised of the following:

	2018	2017
Investing in Neighbourhoods	\$ 50,034	\$ 25,604
Canada Summer Jobs	14,328	
Ryerson University	<u>9,996</u>	<u></u>
	<u>\$ 99,962</u>	<u>\$ 99,962</u>

10. FUNDRAISING AND DONATIONS

Fundraising and donation revenue was received from the following sources:

	2018	2017
Foundations	\$ 85,166	\$ 66,839
Corporations	89,745	26,052
Individuals	15,485	13,779
Special events and other	<u>20,904</u>	<u>34,688</u>
	<u>\$ 211,300</u>	<u>\$ 141,358</u>