

HORIZONS FOR YOUTH
Financial Statements
December 31, 2019

HORIZONS FOR YOUTH
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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Horizons for Youth

Qualified Opinion

We have audited the financial statements of Horizons for Youth (the "Organization"), which comprise the statement of financial position as at December 31, 2019, 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 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 December 31, 2019, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 revenues, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, and current assets and net assets as at December 31, 2019 and January 1, 2019.

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed a modified opinion on those financial statements, for the reason noted under the *Basis for Qualified Opinion* section, on May 21, 2019.

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 the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Independent Auditor's Report to the Members of Horizons for Youth *(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 the entity'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 entity'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 entity 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
August 27, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

HORIZONS FOR YOUTH
Statement of Financial Position
As at December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 305,651	\$ 168,095
Short-term investments (Note 3)	524,949	512,967
Accounts receivable	28,677	43,168
Prepaid expenses	16,527	29,430
	875,804	753,660
PROPERTY AND EQUIPMENT (Note 4)	252,215	194,510
	\$ 1,128,019	\$ 948,170
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 42,312	\$ 26,199
Deferred revenues (Note 5)	57,768	41,666
	100,080	67,865
DEFERRED PROPERTY AND EQUIPMENT GRANTS (Note 6)	414,424	202,454
	514,504	270,319
NET ASSETS		
UNRESTRICTED	543,515	607,851
CAPITAL REPLACEMENT RESERVE (Note 7)	70,000	70,000
	613,515	677,851
	\$ 1,128,019	\$ 948,170

APPROVED ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2019

	2019	2018
REVENUES		
Government funding <i>(Note 8)</i>	\$ 1,085,597	\$ 1,023,388
Fundraising and donations <i>(Note 9)</i>	228,289	211,300
United Way	100,319	195,232
Employment programs <i>(Note 10)</i>	99,135	74,358
Property and equipment grant amortization <i>(Note 6)</i>	37,730	35,230
Interest and other	16,262	9,938
	<u>1,567,332</u>	<u>1,549,446</u>
EXPENSES		
Shelter program	1,124,961	1,012,636
Building maintenance	162,744	183,381
Administration	87,327	63,469
Housing help program	86,190	79,474
Residents' needs	71,910	70,409
Amortization of property and equipment	61,680	51,624
Development	19,420	16,213
Household	17,436	19,301
	<u>1,631,668</u>	<u>1,496,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(64,336)	52,939
NET ASSETS - BEGINNING OF YEAR	<u>677,851</u>	<u>624,912</u>
NET ASSETS - END OF YEAR	<u>\$ 613,515</u>	<u>\$ 677,851</u>

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (64,336)	\$ 52,939
Items not affecting cash:		
Amortization of property and equipment	61,680	51,624
Amortization of property and equipment grants	<u>(37,730)</u>	<u>(35,230)</u>
	<u>(40,386)</u>	69,333
Changes in non-cash working capital:		
Accounts receivable	14,491	(16,517)
Prepaid expenses	12,903	(7,178)
Accounts payable and accrued liabilities	16,113	3,370
Deferred revenues	16,102	27,499
Deferred property and equipment grants	<u>249,700</u>	<u>98,945</u>
	<u>309,309</u>	106,119
Cash flows from operating activities	<u>268,923</u>	<u>175,452</u>
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(119,385)</u>	<u>(76,708)</u>
FINANCING ACTIVITY		
Change in short-term investments (net)	<u>(11,982)</u>	<u>(143,077)</u>
NET INCREASE (DECREASE) IN CASH	137,556	(44,333)
CASH - BEGINNING OF YEAR	<u>168,095</u>	<u>212,428</u>
CASH - END OF YEAR	<u>\$ 305,651</u>	<u>\$ 168,095</u>

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

1. NATURE AND PURPOSE OF THE ORGANIZATION

Horizons for Youth (the "Organization") is incorporated as a not-for-profit organization without share capital under the Ontario Corporations Act as "Housing for Youth in the City of York Corporation". The Organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The Organization provides a housing facility and related programs for youth in transition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions, including government funding, and fundraising and donations, and other contributions, are recognized as revenue in the year in which the related expenses are incurred.

Based on the terms of funding agreements, 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 two 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 revenues.

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.

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.

Interest and other revenue is recorded when earned.

Donated goods and services

Donated goods and services, which are not normally purchased by the Organization, are not recorded in the accounts.

The operations of the Organization depend on the contribution of time by volunteers, the fair value of which cannot be reasonably determined and are, therefore, not reflected in these financial statements.

Financial instruments

The Organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable.

All financial instruments are initially measured at fair value, and subsequently, at amortized cost, with the exception of the short-term investments, which are measured at cost plus accrued interest.

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HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture, fixtures, and equipment	5 years
Building improvements	10 years

The Organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include the collectability of accounts receivable and the useful life of property and equipment. Estimates are periodically reviewed and any adjustments necessary are reported in the year in which they become known. Actual results could differ from these estimates.

3. SHORT-TERM INVESTMENTS

Short-term investments are comprised of Guaranteed Investment Certificates issued by a major Canadian chartered bank, which earn interest in the range of 2.2% and 2.4% per annum, and mature between March and August 2020.

HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 1	\$ -	\$ 1	\$ 1
Furniture, fixtures, and equipment	322,129	259,969	62,160	58,601
Building improvements	290,096	100,042	190,054	135,908
	<u>\$ 612,226</u>	<u>\$ 360,011</u>	<u>\$ 252,215</u>	<u>\$ 194,510</u>

Included in the building improvements cost is \$54,692 in construction costs incurred up to December 31, 2019 for the Homework Room. Amortization of these costs will commence upon substantial completion of this project.

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	1,817,028	(1,817,027)	1
	<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, the Organization may not dispose of or significantly change the use of the land and building without prior written permission from the Ministry of Community and Social Services.

5. DEFERRED REVENUES

Deferred revenues as at December 31 are comprised of restricted contributions from the following:

	2019	2018
Maple Leaf Sports Entertainment	\$ 27,768	\$ 41,666
Frederick Foundation	20,000	-
JP Brick Foundation	10,000	-
	<u>\$ 57,768</u>	<u>\$ 41,666</u>

The continuity of deferred revenues is as follows:

	2019	2018
Balance, beginning of year	\$ 41,666	\$ 14,167
Add: Amounts received during the year	30,000	50,000
Less: Amounts recognized in revenue in the year	(13,898)	(22,501)
Balance, end of year	<u>\$ 57,768</u>	<u>\$ 41,666</u>

HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

6. DEFERRED PROPERTY AND EQUIPMENT GRANTS

Deferred property and equipment grants as at December 31 are comprised of contributions from the following entities:

	2019	2018
Ontario Trillium Foundation	\$ 303,142	\$ 61,713
City of Toronto	63,314	80,784
Home Depot Canada Foundation	46,500	58,000
Others	1,468	1,956
	<u>\$ 414,424</u>	<u>\$ 202,453</u>

The continuity of deferred property and equipment grants is as follows:

	2019	2018
Balance, beginning of year	\$ 202,454	\$ 138,739
Add: Amounts received during the year	249,700	98,945
Less: Amounts amortized in revenue in the year	<u>(37,730)</u>	<u>(35,230)</u>
Balance, end of year	<u>\$ 414,424</u>	<u>\$ 202,454</u>

7. CAPITAL REPLACEMENT RESERVE

In 2018, the Board of Directors approved the establishment of 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:

	2019	2018
Per diem fees	\$ 990,779	\$ 930,820
Hostel Re-direct	87,068	87,068
Other	7,750	5,500
	<u>\$ 1,085,597</u>	<u>\$ 1,023,388</u>

HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

9. FUNDRAISING AND DONATIONS

Fundraising and donations were received from the following sources:

	2019	2018
Foundations	\$ 93,854	\$ 85,166
Corporations	57,567	89,745
Individuals	41,995	15,485
Special events and others	34,873	20,904
	\$ 228,289	\$ 211,300

10. EMPLOYMENT PROGRAMS

Funding received for employment programs are comprised of the following:

	2019	2018
Investing in Neighbourhoods	\$ 84,146	\$ 50,034
Canada Summer Jobs	14,989	14,328
Ryerson University	-	9,996
	\$ 99,135	\$ 74,358

11. FINANCIAL RISKS

The Organization is exposed to risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2019.

Credit risk

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

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. The Organization is exposed to interest rate risk primarily as a result of its fixed-rate investments, which are generally reinvested as they mature.

It is management's opinion that the Organization is not exposed to significant liquidity, currency, or other price risks arising from its financial instruments.

12. SUBSEQUENT EVENT

Subsequent to year-end, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic; the impact of which on the Organization is not yet known.

It is management's assessment, at the date of the release of these financial statements, that the Organization will have sufficient reserves to mitigate any losses in revenues which may be experienced in 2020.

HORIZONS FOR YOUTH
Notes to Financial Statements
Year Ended December 31, 2019

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
