HORIZONS FOR YOUTH

Financial Statements

December 31, 2020

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, 2020, and the statements of operations, 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, 2020, 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 years ended December 31, 2020 and 2019, and current assets and net assets as at December 31, 2020 and 2019 and January 1, 2020 and 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.

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.

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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
May 18, 2021

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

HORIZONS FOR YOUTH

Statement of Financial Position

As at December 31, 2020

		2020		2019
ASSETS				
CURRENT				
Cash	**$**	**325,084**	$	305,651
Short-term investments *(Note 3)*		**532,704**		524,949
Accounts receivable		**90,165**		28,677
Prepaid expenses		**19,890**		16,527
		967,843		875,804
PROPERTY AND EQUIPMENT *(Note 4)*		**418,494**		252,215
	$	**1,386,337**	$	1,128,019
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**52,620**	$	42,312
Deferred revenues *(Note 5)*		**59,279**		57,768
		111,899		100,080
DEFERRED PROPERTY AND EQUIPMENT GRANTS *(Note 6)*		**428,566**		414,424
		540,465		514,504
NET ASSETS				
UNRESTRICTED		**595,872**		543,515
BOARD RESTRICTED RESERVE *(Note 7)*		**150,000**		-
CAPITAL REPLACEMENT RESERVE *(Note 8)*		**100,000**		70,000
		845,872		613,515
	$	**1,386,337**	$	1,128,019

APPROVED ON BEHALF OF THE BOARD

_________________________________ *Director*

_________________________________ *Director*

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH
Statement of Operations
Year Ended December 31, 2020

	2020	2019
REVENUES		
Government funding *(Note 9)*	**$ 1,214,709**	$ 1,085,597
Fundraising and donations *(Note 10)*	**421,053**	228,289
United Way	**106,226**	100,319
Property and equipment grant amortization *(Note 6)*	**78,570**	37,730
Client support	**64,675**	-
Employment programs *(Note 11)*	**43,513**	99,135
Interest and other	**9,301**	16,262
	1,938,047	1,567,332
EXPENSES		
Shelter program	**1,178,113**	1,124,961
Building maintenance	**218,463**	162,744
Amortization of property and equipment	**103,041**	61,680
Administration	**78,282**	87,327
Residents' needs	**56,117**	71,910
Housing help program	**56,051**	86,190
Development	**10,445**	19,420
Household	**5,178**	17,436
	1,705,690	1,631,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 232,357**	$ (64,336)

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH

Statement of Changes in Net Assets

Year Ended December 31, 2020

	Unrestricted	Board Restricted Reserve	Capital Replacement Reserve	**2020**	2019
NET ASSETS - BEGINNING OF YEAI	$ 543,515	$ -	$ 70,000	**$ 613,515**	$ 677,851
Excess of revenues over expenses	232,357	-	-	**232,357**	(64,336)
Transfer to board restricted reserve *(Note 7)*	(150,000)	150,000	-	**-**	-
Transfer to capital replacement reserve *(Note 8)*	(30,000)	-	30,000	**-**	-
NET ASSETS - END OF YEAR	$ 595,872	$ 150,000	$ 100,000	**$ 845,872**	$ 613,515

See the accompanying notes to these financial statements

HORIZONS FOR YOUTH
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	$ 232,357	$ (64,336)
Items not affecting cash:		
Amortization of property and equipment	103,041	61,680
Amortization of property and equipment grants	(78,570)	(37,730)
	256,828	(40,386)
Changes in non-cash working capital:		
Accounts receivable	(61,488)	14,491
Prepaid expenses	(3,363)	12,903
Accounts payable and accrued liabilities	10,308	16,113
Deferred revenues	1,511	16,102
Deferred property and equipment grants	92,712	249,700
	39,680	309,309
Cash flows from operating activities	296,508	268,923
INVESTING ACTIVITY		
Purchase of property and equipment	(269,320)	(119,385)
FINANCING ACTIVITY		
Change in short-term investments (net)	(7,755)	(11,982)
NET INCREASE IN CASH	19,433	137,556
CASH - BEGINNING OF YEAR	305,651	168,095
CASH - END OF YEAR	$ 325,084	$ 305,651

See the accompanying notes to these financial statements

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.

Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures that were put in place to combat the spread of the virus. The Organization received $105,186 as COVID-19 funding support from the City of Toronto to assist in its operations *(Note 9)*.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of Organization in future periods. The Organization continues to closely monitor and assess the impact on operations. It is the opinion of management that the organization will have sufficient resources to mitigate uncertainty in fiscal 2021 as a result of COVID-19.

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 restricted contributions. Restricted contributions, including government funding, 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.

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.

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.

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.

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

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.

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:

Building improvements	10 years
Furniture, fixtures, and equipment	5 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 amounts 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 collection 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 two Guaranteed Investment Certificates issued by a major Canadian chartered bank, which earn interest of 0.90% and 1.58% (2019 - 2.2% and 2.4%) per annum, and mature between January and May 2021 (2019 - March and August 2020).

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2020 Net book value**	2019 Net book value
Land	$ 1	$ -	**$ 1**	$ 1
Building improvements	434,782	143,520	**291,262**	190,054
Furniture, fixtures, and equipment	446,762	319,531	**127,231**	62,160
	$ 881,545	$ 463,051	**$ 418,494**	$ 252,215

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	**2020 Carrying Value**
Land	$ 819,549	$ (819,548)	**$ 1**
Building	1,817,028	(1,817,027)	**1**
	$ 2,636,577	$ 2,636,575	**$ 2**

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:

	2020	2019
Maple Leaf Sports Entertainment	**$ 24,661**	$ 27,768
Bell Canada	**20,000**	-
Toronto Foundation	**11,400**	-
Others	**3,218**	-
J.P. Bickell Foundation	**-**	10,000
Frederick and Douglas Dickson Memorial Foundation	**-**	20,000
	$ 59,279	$ 57,768

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5. DEFERRED REVENUES *(continued)*

The continuity of deferred revenues is as follows:

		2020		2019
Balance, beginning of year	$	57,768	$	41,666
Add: Amounts received during the year		59,118		30,000
Less: Amounts recognized in revenue in the year		(57,607)		(13,898)
Balance, end of year	$	59,279	$	57,768

6. DEFERRED PROPERTY AND EQUIPMENT GRANTS

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

		2020		2019
Ontario Trillium Foundation	$	268,431	$	303,142
Harold E. Ballard Foundation		50,000		-
City of Toronto		45,844		63,314
Home Depot Canada Foundation		45,000		46,500
Others		19,291		1,468
	$	428,566	$	414,424

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

		2020		2019
Balance, beginning of year	$	414,424	$	202,454
Add: Amounts received during the year		92,712		249,700
Less: Amounts amortized in revenue in the year		(78,570)		(37,730)
Balance, end of year	$	428,566	$	414,424

7. BOARD RESTRICTED RESERVE

Effective for 2020, the Board of Directors approved the establishment of a Board Restricted Reserve to mitigate the uncertainties of COVID-19, and approved a transfer of $150,000 from unrestricted net assets.

8. 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.

For 2020, the Board approved a transfer of $30,000 from unrestricted net assets.

9. GOVERNMENT FUNDING

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

	2020	2019
Per diem fees	**$ 1,000,686**	$ 990,779
COVID-19 support	**105,186**	-
Hostel re-direct	**87,069**	87,068
Other	**21,768**	7,750
	$ 1,214,709	$ 1,085,597

10. FUNDRAISING AND DONATIONS

Fundraising and donations were received from the following sources:

	2020	2019
Foundations	**$ 223,853**	$ 93,854
Corporations	**95,880**	57,567
Individuals	**73,943**	41,995
Special events and others	**27,376**	34,873
	$ 421,052	$ 228,289

11. EMPLOYMENT PROGRAMS

Funding received for employment programs are comprised of the following:

	2020	2019
Investing in Neighbourhoods	**$ 33,513**	$ 84,146
Ryerson University	**10,000**	-
Canada Summer Jobs	**-**	14,989
	$ 43,513	$ 99,135

12. 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, 2020, which are consistent with the prior year.

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.

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12. FINANCIAL RISKS *(continued)*

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.