

Frontenac Youth Services
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Directors of Frontenac Youth Services

We have audited the accompanying financial statements of Frontenac Youth Services, which comprise the statement of financial position as at March 31, 2016, and the statements of changes in fund balances, 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 presentation 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 charitable organizations, the organization derives revenue from donations and fundraising 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 donations and fundraising revenue, excess (deficiency) of revenue over expenses and cash flows for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1 and March 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the 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 Frontenac Youth Services as at March 31, 2016 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oshawa, Ontario
August 9, 2016

Frontenac Youth Services Statement of Financial Position

March 31	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	2016	2015
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Assets

Current					
Short-term investments	\$ -	\$ 684	\$ -	\$ 684	\$ 37,487
Accounts receivable	57,180	-	-	57,180	64,223
Interfund receivable	-	42,260	-	42,260	5,260
Capital assets (Note 2)	57,180	42,944	-	100,124	106,970
	-	-	387,369	387,369	399,904
	\$ 57,180	\$ 42,944	\$ 387,369	\$ 487,493	\$ 506,874

Liabilities and Fund Balances

Current					
Bank indebtedness (Note 3)	\$ 398,521	\$ -	\$ -	\$ 398,521	\$ 261,651
Accounts payable and accrued liabilities	223,994	-	-	223,994	371,419
Interfund payable	42,260	-	-	42,260	5,260
Due to Ministry of Community and Social Services	59,404	-	-	59,404	59,404
Current portion of long-term debt	-	-	12,419	12,419	16,468
Long-term debt (Note 4)	724,179	-	12,419	736,598	714,202
Fund balances	(666,999)	42,944	58,016	58,016	75,994
			316,934	(307,121)	(283,322)
	\$ 57,180	\$ 42,944	\$ 387,369	\$ 487,493	\$ 506,874

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services
Statement of Changes in Fund Balances

For the year ended March 31

2016 2015

	Unrestricted	Equipment Replacement Fund	Invested in Capital Assets	Total	Total
Balance, beginning of year	\$ (633,511)	\$ 42,747	\$ 307,442	\$ (283,322)	\$ (276,700)
Excess (deficiency) of revenue over expenses	(7,756)	197	(16,240)	(23,799)	(6,622)
Interfund transfers	(25,732)	-	25,732	-	-
Balance, end of year	\$ (666,999)	\$ 42,944	\$ 316,934	\$ (307,121)	\$ (283,322)

Frontenac Youth Services Statement of Operations

For the year ended March 31

2016 2015

	Unrestricted	Equipment Replacement Fund	Invested in Capital Assets	Total	Total
Revenue					
Provincial grants	\$ 4,074,751	\$ -	\$ -	\$ 4,074,751	\$ 3,992,020
Children's Aid Society	83,932	-	-	83,932	97,006
Durham Board (outside resources)	163,162	-	-	163,162	172,747
Donations and fundraising revenue	58,051	-	-	58,051	35,946
Administration recovery	14,832	-	-	14,832	15,704
Interest income	-	224	-	224	492
Sundry	1,734	-	171	1,905	3,166
	4,396,462	224	171	4,396,857	4,317,081
Expenses					
Amortization	-	-	20,333	20,333	24,600
Benefits	504,219	-	-	504,219	551,085
Building occupancy	283,609	-	-	283,609	258,581
Client expenses	11,924	-	-	11,924	15,632
Food services	47,773	-	-	47,773	48,567
Interest on long-term debt	6,742	-	-	6,742	8,327
Medical and related	29,225	-	-	29,225	12,098
Miscellaneous	19,298	-	-	19,298	19,136
Fundraising expenses	27,616	-	-	27,616	18,036
Office administration	125,882	27	-	125,909	137,537
Outside agency support	11,130	-	-	11,130	2,466
Outside resources	163,162	-	-	163,162	172,747
Professional services	21,853	-	-	21,853	33,458
Program expenses	70,295	-	-	70,295	43,242
Salaries	3,008,273	-	-	3,008,273	2,909,446
Training and recruitment	19,446	-	-	19,446	20,426
Loss (gain) on disposal of capital assets	-	-	(3,922)	(3,922)	56
Travel	53,771	-	-	53,771	48,263
	4,404,218	27	16,411	4,420,656	4,323,703
Excess (deficiency) of revenue over expenses	\$ (7,756)	\$ 197	\$ (16,240)	\$ (23,799)	\$ (6,622)

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services Statement of Cash Flows

For the year ended March 31	2016	2015
Operating activities		
Deficiency of revenue over expenses	\$ (23,799)	\$ (6,622)
Items not affecting cash		
Amortization	20,333	24,600
Loss (gain) on disposal of capital assets	(3,922)	56
	(7,388)	18,034
Changes in non-cash working capital balances		
Accounts receivable	7,043	68,563
Accounts payable and accrued liabilities	(147,425)	(95,513)
Due to the Ministry of Community and Social Services	-	7,581
Unearned revenue	-	(14,091)
	(147,770)	(15,426)
Investing activities		
Proceeds on disposal of capital assets	11,124	1,800
Purchase of capital assets	(15,000)	-
Decrease (increase) in short-term investments	36,803	(12,487)
	32,927	(10,687)
Financing activities		
Repayment of long-term debt	(22,027)	(15,551)
Increase in bank indebtedness	136,870	41,664
	114,843	26,113
Net change in cash and cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Frontenac Youth Services Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies

Nature and Purpose of Organization

Frontenac Youth Services is a not-for-profit Canadian charity which operates a Licensed Children's Mental Health Centre that has been continuously providing services to adolescents and their families, throughout the Durham and Northumberland/Clarington area since 1972.

The organization is a registered charity, and as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The organization follows the Restricted Fund method of accounting for contributions.

The Unrestricted Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted donations related to general operations.

The Restricted Fund reports only donations and their related expenses as designated by donors or the Board of Directors.

In accordance with an agreement with the Ministry of Community Services, the organization is required to set aside funds for the replacement of equipment. The replacement of certain equipment such as ranges, refrigerators, plumbing, heating and mechanical laundry equipment will be financed out of this Reserve Fund.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Restricted Funds.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Frontenac Youth Services Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies (Continued)

Contributed Services

Volunteers contribute a significant amount of time each year to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the assets is as follows:

Building	- 30-year straight-line basis with a residual value of 25% of cost including any major renovations
Capital improvements	- 5-year straight-line basis with half-year rule
Automotive equipment	- 30% diminishing balance basis
Leasehold improvements	- 5-year straight-line basis with half-year rule

Capital purchases with a cost in excess of \$4,000 have been capitalized.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to accruals and the estimated useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The organization's financial assets consisting of short-term investment and accounts receivable are recorded at fair value when acquired or issued. In subsequent periods they are reported at cost or amortized cost less impairment, if applicable.

Frontenac Youth Services Notes to Financial Statements

March 31, 2016

2. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 110,000	\$ -	\$ 110,000	\$ -
Building	466,896	212,381	466,896	200,709
Capital improvements	22,277	22,277	22,277	20,196
Automotive equipment	64,508	41,654	74,212	52,576
Leasehold improvements	55,000	55,000	55,000	55,000
	<u>\$ 718,681</u>	<u>\$ 331,312</u>	<u>\$ 728,385</u>	<u>\$ 328,481</u>
Cost less accumulated amortization		<u>\$ 387,369</u>		<u>\$ 399,904</u>

3. Bank Indebtedness

The organization has a revolving credit facility available to a maximum of \$300,000. The revolving credit facility is due on demand, bears interest at the bank's prime rate plus 1.0% and is secured by the Watersdown property. As at March 31, 2016, the organization had an aggregate overdraft balance of \$398,521 (2015 - \$261,651). The bank agreed to allow the overdraft balance to be temporarily increased in March 2016.

Frontenac Youth Services Notes to Financial Statements

March 31, 2016

4. Long-term Debt

Deferred Capital Contribution:

The deferred capital contribution was comprised of a Federal government grant in the amount of \$8,528 to assist with the purchase of land and building. The Federal grant reduced the required annual mortgage payment and is amortized over the term of the mortgage. The annual contribution recognized is \$171 per year over the 50 year term.

	2016	2015
Deferred capital contribution	\$ 2,003	\$ 2,174
Less current portion	171	171
	<u>1,832</u>	<u>2,003</u>

Mortgage and Loans Payable:

Repayable to CMHC \$602 monthly including interest at 9.875%, secured by Frontenac residence (net book value of \$82,769 at March 31, 2016) due January 2028

50,740	52,935
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Vehicle loan payable, secured by specific vehicle (net book value of \$5,079 at March 31, 2016), repayable \$460 monthly including interest at 6.99% due November 2017

8,667	13,404
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Vehicle loan payable, secured by specific vehicle (net book value of \$5,024 at March 31, 2016), repayable \$456 monthly including interest at 6.99% due November 2017

9,025	13,723
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Vehicle loan payable

-	10,226
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Less current portion

68,432	90,288
<u>12,248</u>	<u>16,297</u>

<u>56,184</u>	<u>73,991</u>
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<u>\$ 58,016</u>	<u>\$ 75,994</u>
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Frontenac Youth Services Notes to Financial Statements

March 31, 2016

4. Long-term Debt (Continued)

Principal repayments required on long-term debt for the next five years and thereafter are due as follows:

	<u>Deferred Capital Contribution</u>		<u>Mortgage and Loans</u>		<u>Total</u>
2017	\$ 171	\$	12,248	\$	12,419
2018	171		9,501		9,672
2019	171		2,604		2,775
2020	171		2,873		3,044
2021	171		3,170		3,341
Thereafter	1,148		38,036		39,184
	<u>\$ 2,003</u>	\$	<u>68,432</u>	\$	<u>70,435</u>

5. Commitments

The organization has entered into two premise lease agreements expiring in June 2017 and August 2017. The minimum annual lease payments for the next two years are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 107,456
2018	<u>31,661</u>
	<u>\$ 139,117</u>

6. Economic Dependence

The organization has contribution arrangements with the Ministry of Community and Social Services to provide funds to administer operations and provide services. These contributions constitute 93% (2015 - 92%) of the organization's total revenue and, as such, its ability to continue viable operations is dependent upon maintaining these funding arrangements.

Frontenac Youth Services Notes to Financial Statements

March 31, 2016

7. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to this risk through its bank indebtedness. The organization holds revolving line of credit with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long-term debt.