

Frontenac Youth Services
Financial Statements
For the year ended March 31, 2018

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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, 2018, 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, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 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, 2018 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
June 19, 2018

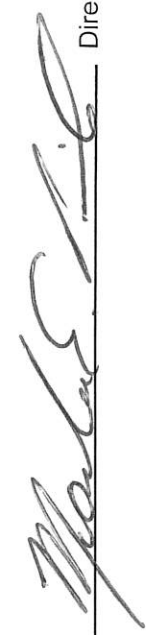
**Frontenac Youth Services
Statement of Financial Position**

March 31	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	2018	2017
Assets					
Current					
Short-term investments	\$ 689	\$ -	\$ -	\$ 689	\$ 687
Accounts receivable	66,437	-	-	66,437	85,297
Interfund receivable	-	-	-	-	42,260
	67,126	-	-	67,126	128,244
Capital assets (Note 2)	-	-	352,369	352,369	368,841
	\$ 67,126	\$ -	\$ 352,369	\$ 419,495	\$ 497,085
Liabilities and Fund Balances					
Current					
Bank indebtedness (Note 3)	\$ 444,110	\$ -	\$ -	\$ 444,110	\$ 425,265
Accounts payable and accrued liabilities	257,696	-	-	257,696	230,600
Interfund payable	-	-	-	-	42,260
Deferred contributions	-	-	-	-	50,741
Current portion of long-term debt	-	-	-	-	10,113
	701,806	-	-	701,806	758,979
Long-term debt	-	-	-	-	47,058
Fund balances	(634,680)	-	352,369	(282,311)	(308,952)
	\$ 67,126	\$ -	\$ 352,369	\$ 419,495	\$ 497,085

On behalf of the Board:



Director



Director

Frontenac Youth Services
Statement of Changes in Fund Balances

For the year ended March 31	2018	2017			
	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	Total	Total
Balance, beginning of year	\$ (663,569)	\$ 42,947	\$ 311,670	\$ (308,952)	\$ (307,121)
Excess (deficiency) of revenue over expenses	43,113	-	(16,472)	26,641	(1,831)
Interfund transfers	(14,224)	(42,947)	57,171	-	-
Balance, end of year	\$ (634,680)	\$ -	\$ 352,369	\$ (282,311)	\$ (308,952)

Frontenac Youth Services Statement of Operations

For the year ended March 31

2018 2017

	Unrestricted	Equipment Replacement Reserve Fund	Invested in Capital Assets	Total
Revenue				
Provincial grants	\$ 4,377,491	\$ -	-	\$ 4,377,491
Children's Aid Society	-	-	-	84,786
Durham Board (outside resources)	163,209	-	-	163,209
Donations and fundraising revenue	60,668	-	-	60,668
Fernie funds (one-time funding)	-	-	-	65,195
Administration recovery	14,837	-	-	14,837
Interest income	-	-	-	3
Sundry	8,880	-	-	8,880
Forgiveness of debt	-	-	-	-
	4,625,085	-	-	4,625,085
Expenses				
Amortization	-	-	16,472	16,472
Benefits	547,691	-	-	547,691
Building occupancy	281,012	-	-	281,012
Client expenses	10,748	-	-	10,748
Allocated Central Administration	-	-	-	-
Food services	33,053	-	-	33,053
Interest on long-term debt	2,133	-	-	2,133
Medical and related	38,706	-	-	38,706
Miscellaneous	20,020	-	-	20,020
Fundraising expenses	15,813	-	-	15,813
Office administration	136,109	-	-	136,109
Outside agency support	27,490	-	-	27,490
Outside resources	163,409	-	-	163,409
Professional services	32,849	-	-	32,849
Program expenses	48,767	-	-	48,767
Salaries	3,166,875	-	-	3,166,875
Training and recruitment	17,562	-	-	17,562
Travel	39,735	-	-	39,735
	4,581,972	-	16,472	4,598,444
Excess (deficiency) of revenue over expenses	\$ 43,113	\$ -	\$(16,472)	\$ 26,641
				\$(1,831)

Frontenac Youth Services Statement of Cash Flows

For the year ended March 31	2018	2017
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 26,641	\$ (1,831)
Items not affecting cash		
Amortization	16,472	18,528
	43,113	16,697
Changes in non-cash working capital balances		
Accounts receivable	18,860	(28,117)
Accounts payable and accrued liabilities	27,096	6,606
Due to the Ministry of Community and Social Services	-	(59,404)
Deferred contributions	(50,741)	50,741
	38,328	(13,477)
Investing activity		
Increase (decrease) in short-term investments	2	(3)
Financing activities		
Repayment of long-term debt	(57,175)	(13,264)
Increase in bank indebtedness	18,845	26,744
	(38,330)	13,480
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, 2018

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, 2018

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 and judgments used in the preparation of these financial statements include, but are not limited to the determination of accruals, the estimated useful life of capital assets and the determination of any impairment in capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Frontenac Youth Services Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (Continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 110,000	\$ -	\$ 110,000	\$ -
Building	466,896	235,725	466,896	224,053
Capital improvements	22,277	22,277	22,277	22,277
Automotive equipment	64,508	53,310	64,508	48,510
Leasehold improvements	55,000	55,000	55,000	55,000
	<u>\$ 718,681</u>	<u>\$ 366,312</u>	<u>\$ 718,681</u>	<u>\$ 349,840</u>
Cost less accumulated amortization		<u>\$ 352,369</u>		<u>\$ 368,841</u>

3. Bank Indebtedness

The organization has a revolving credit facility available to a maximum of \$375,000. 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. The agreement contains a covenant which requires no outstanding debt or liability for at least one day each quarter. As at March 31, 2018, the organization was not in compliance with the covenant. As at March 31, 2017, the organization had an aggregate overdraft balance of \$444,110 (2017 - \$425,265). The bank agreed to allow the overdraft balance to be temporarily increased in March 2018.

Frontenac Youth Services Notes to Financial Statements

March 31, 2018

4. Commitments

The organization has entered into a premise lease agreement expiring in August 2020. The minimum annual lease payments for the next three years is as follows:

2019	\$	121,425
2020	\$	121,425
2021	\$	50,594

5. 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% (2017 - 93%) of the organization's total revenue and, as such, its ability to continue viable operations is dependent upon maintaining these funding arrangements.

6. Provincial Subsidy

The organization is required to file a summary of the programs funded by the Ministry of Community and Social Services known as a TPAR. A TPAR will be filed for 2017/2018 upon finalization of the accounts. Any adjustments required to be made with respect to funding received will be reflected in the year that the adjustment is determined.

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.

There have not been any changes in the risk from the prior year.

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 bank indebtedness.

There have not been any changes in the risk from the prior year.