

Frontenac Youth Services
Financial Statements
For the year ended March 31, 2021

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Independent Auditor's Report

To the Members of Frontenac Youth Services

Qualified Opinion

We have audited the financial statements of Frontenac Youth Services (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in fund balances, operations 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 March 31, 2021, and its 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 activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, 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 from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 audit opinion.

Responsibilities of Management and Those Charged with Governance 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 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 related 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.

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 the Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
August 17, 2021

Frontenac Youth Services **Statement of Financial Position**

	Unrestricted	Invested in Capital Assets	2021	2020
March 31				

Assets

Current				
Cash	\$ 226,948	\$ -	\$ 226,948	\$ -
Accounts receivable	135,303	-	135,303	64,929
Prepaid and deposits	113,294	76,256	189,560	183,513
	<u>475,545</u>	<u>76,256</u>	<u>551,801</u>	<u>248,442</u>
Capital assets (Note 2)	-	484,980	484,980	345,141
	<u>\$ 475,545</u>	<u>\$ 561,236</u>	<u>\$ 1,036,781</u>	<u>\$ 593,583</u>

Liabilities and Fund Balances

Current				
Bank indebtedness (Note 3)	\$ -	\$ -	\$ -	\$ 8,091
Accounts payable and accrued liabilities	375,517	-	375,517	319,138
Due to Ministry of Health	165,285	-	165,285	129,641
	<u>540,802</u>	<u>-</u>	<u>540,802</u>	<u>456,870</u>
Fund balances	(65,257)	561,236	495,979	136,713
	<u>\$ 475,545</u>	<u>\$ 561,236</u>	<u>\$ 1,036,781</u>	<u>\$ 593,583</u>

On behalf of the Board:



Director



Director

Frontenac Youth Services
Statement of Changes in Fund Balances

For the year ended March 31

	2021		2020	
	Unrestricted	Invested in Capital Assets	Total	Total
Balance, beginning of year	\$ (391,941)	\$ 528,654	\$ 136,713	\$ (198,620)
Excess (deficiency) of revenue over expenses	402,940	(43,674)	359,266	335,333
Interfund transfers	(76,256)	76,256	-	-
Balance, end of year	\$ (65,257)	\$ 561,236	\$ 495,979	\$ 136,713

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

Frontenac Youth Services Statement of Operations

For the year ended March 31

2021 2020

	Invested in Capital Assets		Total	Total
	Unrestricted			
Revenue				
Provincial grants	\$ 4,631,300	\$ -	\$ 4,631,300	\$ 4,527,230
COVID-19 funds	417,402	-	417,402	-
Durham Board (outside resources)	255,433	-	255,433	240,009
Donations and fundraising revenue	28,123	-	28,123	19,108
Sundry	7,082	-	7,082	19,837
Administration recovery	-	-	-	20,579
	5,339,340	-	5,339,340	4,826,763
Expenses				
Amortization	-	43,674	43,674	28,157
Benefits	477,765	-	477,765	461,663
Building occupancy	242,975	-	242,975	228,183
Client expenses	3,787	-	3,787	3,649
COVID-19 related expenses	262,339	-	262,339	10,457
Food services	39,304	-	39,304	33,553
Insurance	5,670	-	5,670	5,505
Medical and related	117,725	-	117,725	29,223
Miscellaneous	22,915	-	22,915	20,433
Office administration	134,334	-	134,334	126,619
Outside agency support	59,518	-	59,518	126,273
Outside resources	193,055	-	193,055	240,009
Professional services	45,321	-	45,321	33,777
Program expenses	66,835	-	66,835	59,392
Salaries	3,212,673	-	3,212,673	3,025,705
Training and recruitment	31,075	-	31,075	21,777
Travel	21,109	-	21,109	37,055
	4,936,400	43,674	4,980,074	4,491,430
Excess (deficiency) of revenue over expenses	\$ 402,940	\$ (43,674)	\$ 359,266	\$ 335,333

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

Frontenac Youth Services Statement of Cash Flows

For the year ended March 31	2021	2020
Operating activities		
Excess of revenue over expenses	\$ 359,266	\$ 335,333
Item not affecting cash		
Amortization	43,674	28,157
	<u>402,940</u>	363,490
Changes in non-cash working capital balances		
Accounts receivable	(70,374)	(10,879)
Prepaid and deposits	(6,037)	(183,513)
Accounts payable and accrued liabilities	56,379	31,066
Due to the Ministry of Health	35,644	29,714
Deferred contributions	-	(13,637)
	<u>418,552</u>	216,241
Investing activities		
Purchase of capital assets	<u>(183,513)</u>	(20,526)
Financing activities		
Decrease in bank indebtedness	<u>(8,091)</u>	(195,715)
Net change in cash	226,948	\$ -
Cash, beginning of year	<u>-</u>	-
Cash, end of year	<u>\$ 226,948</u>	\$ -

Frontenac Youth Services Notes to Financial Statements

March 31, 2021

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 Invested in Capital Assets Fund represents the net book value of capital assets.

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, 2021

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:

Automotive equipment	- 30% diminishing balance basis
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
Computer equipment	- 55% diminishing balance basis
Equipment and furnishings	- 20% 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.

Impairment of Long-lived Assets

The Organization monitors its use of capital assets and when the capital asset no longer contributes to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, an impairment is recognized as an expense in the statement of operations.

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, 2021

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

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 110,000	\$ -	\$ 110,000	\$ -
Automotive equipment	64,508	60,668	64,508	59,021
Building	466,897	270,741	466,896	259,069
Capital improvements	-	-	22,277	22,277
Computer equipment	41,815	31,993	41,815	19,988
Equipment and furnishings	183,513	18,351	-	-
Leasehold improvements	-	-	55,000	55,000
	\$ 866,733	\$ 381,753	\$ 760,496	\$ 415,355
Cost less accumulated amortization		\$ 484,980		\$ 345,141

Frontenac Youth Services Notes to Financial Statements

March 31, 2021

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 under the revolving credit facility for at least one day each 6-month period. As at March 31, 2021, the Organization had an overdraft balance of \$Nil (2020 - \$8,091).

4. Commitments

The Organization has entered into a premise lease agreement expiring in January 2026. The minimum annual lease payments for the next five years is as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 161,002
2023	161,002
2024	161,002
2025	161,002
2026	134,169
	<u>\$ 778,177</u>

5. Economic Dependence

The Organization has contribution arrangements with the Ministry of Health and Ministry of Children, Community and Social Services to provide funds to administer operations and provide services. These contributions constitute 95% (2020 - 94%) 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 Health and Ministry of Children, Community and Social Services known as a TPAR. A TPAR will be filed for 2020/2021 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.

Frontenac Youth Services Notes to Financial Statements

March 31, 2021

7. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's financial instruments that are exposed to credit risk relate primarily to cash. The Organization limits its exposure to credit risk by maintaining its cash with a major financial institution.

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, bank indebtedness and amounts due to the Ministry of Health and Ministry of Children, Community and Social Services.

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

8. Uncertainties Relating to COVID-19 Pandemic

During the year, the outbreak of the recent novel corona virus (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to certain businesses globally; as a result, there is uncertainty around its duration and future conditions. If the outbreak is continued, there could be further impact on the Organization, its funders and donors. Management is actively monitoring the effect on its financial condition, liquidity, operations, industry, and workforce.