Grant Thornton

Financial Statements

Choices for Youth Inc

March 31, 2023

Contents

Grant Thornton

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

Independent Auditor's Report

To the Board of Directors of
Choices for Youth Inc

Qualified opinion

We have audited the financial statements of Choices for Youth Inc, which comprise the statement of financial position as at March 31, 2023, the statement of operations, 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 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, 2023, 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 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 fundraising and donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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 opinion.

Other matter

The financial statements of the Organization for the year ended March 31, 2022 were audited by another auditor who expressed a qualified opinion on those financial statements on December 19, 2022.

Independent Auditor's Report (continued)

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 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.

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.

Independent Auditor's Report (continued)

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.

Grant Thornton LLP

St. John's, Canada
October 23, 2023

Chartered Professional Accountants

Choices for Youth Inc.
Statement of Operations
Year Ended March 31

	2023	(Note 14) 2022
Revenue		
Employment and Social Development Canada (Note 10)	**$ 4,542,601**	$ 3,487,726
Government of Newfoundland and Labrador	**3,140,798**	3,140,798
Donations, fundraising, and miscellaneous income	**1,144,132**	1,031,275
Social enterprise (Note 11)	**803,465**	645,869
NL Integrated Youth Services	**356,743**	75,360
Amortization of deferred contributions	**316,928**	251,563
Eastern Health	**233,954**	233,954
Rental income	**222,433**	216,997
Housing initiatives	**107,241**	-
End Homelessness St. John's	**98,870**	31,238
Interest	**1,657**	2,072
	10,968,822	9,116,852
Program Expenses		
Social Enterprise and Employment Programming	**3,210,300**	2,597,225
RallyForward	**1,045,184**	957,464
Youth engagement and outreach	**728,649**	723,443
Shelter operations	**770,355**	732,173
The Lilly	**723,879**	832,006
Family First Programming	**689,412**	571,912
NL Integrated Youth Services	**356,743**	75,360
Soft Landing	**353,662**	92,985
Upstream	**311,732**	302,451
Upstream expansion	**920**	-
Housing initiatives	**159,822**	-
End Homelessness St. John's	**98,870**	31,238
	8,449,528	6,916,257
Other Expenses		
Amortization of capital assets	**414,490**	343,845
Administration	**1,342,060**	1,260,670
Provincial expansion	**364,814**	281,328
Fund development	**248,835**	206,019
Communications	**80,282**	91,706
	2,450,481	2,183,568
Total expenses	**10,900,009**	9,099,825
Excess of revenue over expenses	**$ 68,813**	$ 17,027

See accompanying notes to the financial statements.

Choices for Youth Inc
Statement of Changes in Net Assets
Year ended March 31

2023

	General Fund	Restricted Fund	Total
Balance, beginning of year	$ (166,587)	$ 2,337,910	**$ 2,171,323**
Excess of revenue over expenses	68,813	-	**68,813**
Transfer from internally restricted assets	(179,150)	179,150	**-**
Contributed land	-	690,000	**690,000**
Balance, end of year	$ (276,924)	$ 3,207,060	**$ 2,930,136**

2022

	General Fund	Restricted Fund	Total
Balance, beginning of year	$ (11,527)	$ 2,165,825	$ 2,154,298
Excess of revenue over expenses	17,025	-	17,025
Transfer from internally restricted assets	(172,085)	172,085	-
Balance, end of year	$ (166,587)	$ 2,337,910	$ 2,171,323

See accompanying notes to the financial statements.

Choices for Youth Inc
Statement of Financial Position

March 31

	2023	2022
Assets		
Current		
Cash	**$ 2,770,757**	$ 4,128,388
Accounts receivable	**555,287**	209,349
Harmonized sales tax receivable	**392,051**	102,863
Prepaid expenses	**26,537**	63,833
	3,744,632	4,504,433
Long-term		
Property and equipment (Note 3)	**9,649,258**	5,467,979
	$ 13,393,890	$ 9,972,412

	2023	2022
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	**$ 1,114,025**	$ 604,666
Deferred revenue (Note 6)	**2,631,427**	3,790,250
Current portion of long-term debt (Note 7)	**45,081**	45,081
	3,790,533	4,439,997
Long-term		
Long-term debt (Note 7)	**417,547**	462,628
Deferred contributions related to depreciable capital assets (Note 8)	**6,255,674**	2,898,464
	6,673,221	3,361,092
	10,463,754	7,801,089
Fund balances		
General Fund	**(276,924)**	(166,587)
Restricted Fund (Note 9)	**3,207,060**	2,337,910
	2,930,136	2,171,323
	$ 13,393,890	$ 9,972,412

On behalf of the Board

______________ Member ______________ Member

Choices for Youth Inc
Statement of Cash Flows

Year ended March 31	2023	2022
Increase (decrease) in cash		
Operating		
Excess of revenue over expenses	$ 68,813	$ 17,025
Items not affecting cash		
Amortization	414,490	343,427
Amortization of revenue	(316,928)	(251,563)
	166,375	108,889
Change in non-cash working capital items		
Accounts receivable	(345,938)	302,408
Harmonized sales tax	(289,188)	(30,669)
Prepaid expenses	37,296	(18,078)
Accounts payable and accrued liabilities	509,360	79,695
Deferred revenue	(1,158,823)	2,204,637
	(1,080,918)	2,646,882
Financing		
Repayment of long-term debt	(45,081)	(439,529)
Proceeds of long-term debt	-	374,798
Deferred contributions related to depreciable capital assets	3,674,139	-
	3,629,058	(64,731)
Investing		
Purchase of property and equipment	(3,905,771)	(199,217)
(Decrease) increase in cash	(1,357,631)	2,382,934
Cash		
Beginning of year	4,128,388	1,745,454
End of year	$ 2,770,757	$ 4,128,388

1. Nature of operations

Choices for Youth Inc, (the "Organization") is a corporation without share capital incorporated under The Corporation Act of Newfoundland and Labrador. Choices for Youth Inc. is a professional services, youth-focused, non-profit, charitable organization that creates spaces and conversations, and operates programs and social enterprises to help vulnerable youth secure stable housing, employment, and education while improving health and family stability.

The Organization is a registered charity under the Income Tax Act and, as such, is exempt from income tax under paragraph 149(1)(f).

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Property and equipment

Each class of property and equipment is carried at cost less, where applicable, any accumulated amortization and impairment losses.

Cost includes the purchase price and other acquisition costs such as brokers' commissions, installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges.

Where constructed by the Organization, the cost also includes direct construction or development costs, such as materials and labour, as well as overhead costs directly attributable to the construction or development activity.

The cost incurred to enhance the service potential of an item of property and equipment (betterment) is also included in the cost of an asset.

The amortization rates used for each class of property and equipment are:

Buildings	25 years Straight-line
Vehicles	30% Declining balance
Furniture and fixtures	25% Declining balance
Computer equipment	25% Declining balance

2. Significant accounting policies (continued)

Impairment of long-lived assets

The Organization tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in the year in which the related expenditures are incurred. 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.

Government assistance received or receivable to purchase non-depreciable capital assets is credited directly to net assets.

Contributions, including Government assistance, received to construct or purchase depreciable capital assets are amortized on the same basis as the related capital asset. This also includes forgivable loans received to purchase depreciable capital assets.

All other earned revenue is recognized when services are performed and collection is reasonably assured. Interest revenue is recognized when received.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include allowance for doubtful accounts and useful lives of property and equipment.

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- cash
- accounts receivable
- accounts payable and accrued liabilities
- long-term debt

2. Significant accounting policies (continued)

Financial instruments (continued)

A financial asset or liability is recognized when the Organization becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

The Organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Financial instruments in related party transactions

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Organization does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Organization has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

3. Property and equipment

			2023	2022
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Land	$ 1,830,607	$ -	**$ 1,830,607**	$ 1,140,607
Buildings	11,277,484	3,629,477	**7,648,007**	4,172,047
Vehicles	209,944	168,188	**41,756**	59,652
Furniture and fixtures	426,367	326,260	**100,107**	58,379
Computer equipment	149,295	120,514	**28,781**	37,294
	$ 13,893,697	$ 4,244,439	**$ 9,649,258**	$ 5,467,979

Included in the cost of buildings is a total of $190,073 for professional fees incurred in relation to a new Social Enterprise Hub. This property was purchased subsequent to year end (Note 13). This asset is not in use, therefore amortization has not been calculated on the cost.

4. Bank indebtedness

The Organization has a line of credit of $150,000 from TD Canada Trust Bank which bears interest at prime plus 3.25% per annum and is secured by a general security agreement. The balance on this credit line as of March 31, 2023 is $Nil (2022 - $Nil).

5. Accounts payable and accrued liabilities

	2023	2022
Accounts payable and accrued liabilities	**$ 1,031,162**	$ 532,611
Employee deductions payable	**82,863**	72,055
	$ 1,114,025	$ 604,666

6. Deferred revenue

Deferred revenue consists of unspent contributions externally restricted for delivery of youth service programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred revenue balance are as follows:

	Opening balance	Recognized in revenue in the year	Deferred in the year	**2023**	2022
City of St. John's	$ 100,000	$ -	$ -	$ 100,000	$ 100,000
Newfoundland and Labrador Workforce Innovation Centre	100,881	(100,881)	-	-	100,881
Government of Canada	1,704,707	(4,542,601)	4,339,091	1,501,197	1,704,707
Newfoundland and Labrador Integrated Service Delivery	553,640	(300,730)	150,000	402,910	553,640
YPRC	918,535	(3,306,725)	2,388,190	-	918,535
The Northpine Foundation	200,000	-	-	200,000	200,000
Community Housing Transformation Centre	60,000	(45,326)	34,650	49,324	60,000
End Homelessness St. John's	2,487	(62,152)	59,665	-	2,487
Home Depot	150,000	(150,000)	100,000	100,000	150,000
Government of Newfoundland and Labrador	-	(85,608)	228,524	142,916	-
Making the Shift	-	(920)	135,000	134,080	-
Eastern Health	-	-	1,000	1,000	-
	$ 3,790,250	$ (8,594,943)	$ 7,436,120	$ 2,631,427	$ 3,790,250

Government of Newfoundland and Labrador deferred revenue is unrelated to the Multi-year Agreement. City of St. John's deferred revenue is externally restricted for the operational costs of the Young Parents' Resource Centre.

7. Long-term debt

	2023	2022
TD Canada Trust loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $1,249 plus interest. The loan matures on November 22, 2046 and is secured by the Cashin Avenue building with a net book value of $475,212.	**$ 354,810**	$ 369,802
TD Canada Trust loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $2,507 plus interest. The loan matures on October 2, 2026 and is secured by the Duckworth Street building with a net book value of $980,104.	**107,818**	137,907
	462,628	507,709
Less current portion	**45,081**	45,081
Due beyond one year	**$ 417,547**	$ 462,628

Estimated principal repayments are as follows:

2024	$ 45,081
2025	45,081
2026	45,081
2027	32,544
2028	14,992
Subsequent years	279,849
	$ 462,628

8. Deferred contributions related to depreciable capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2023	2022
Balance, beginning of year	**$ 2,898,464**	$ 3,150,027
Amount received during the year	**3,674,138**	-
Less: Amounts recognized as revenue during the year	**(316,928)**	(251,563)
Balance, end of year	**$ 6,255,674**	$ 2,898,464

8. Deferred contributions related to depreciable capital assets (continued)

Included in deferred contributions related to depreciable capital assets are three forgivable loans.

The first loan has an unforgiven balance of $674,133 (2022 - $737,333) and is forgiven at the rate of $63,200 per year as long as the Organization meets certain conditions. A building and land with a net book value of $1,320,733 and $310,710, respectively have been provided as security for this loan.

The second loan has an unforgiven balance of $268,750 (2022 - $306,250) and is forgiven at the rate of $37,500 per year as long as the Organization meets certain conditions. A building and land with a net book value of $768,979 and $511,125, respectively have been provided as security for this loan.

The third loan has an unforgiven balance of $495,000 (2022 - $525,000) and is forgiven at the rate of $30,000 per year as long as the Organization meets certain conditions. A building and land with a net book value of $661,775 and $117,678, respectively have been provided as security for this loan.

9. Restricted Funds

Young Parents Resource Centre Capital Fund is funded by proceeds from the Annual Gala. Disbursements from this fund are also subject to approval by the Board of Directors.

The Organization has also internally restricted an amount related to its investment in capital assets.

	2023	2022
Young Parents Resource Centre Capital Fund (externally restricted)	**$ 276,105**	$ 276,105
Investment in Capital Assets (internally restricted)	**2,930,955**	2,061,805
	$ 3,207,060	$ 2,337,910

10. Employment and Social Development Canada

Employment and Social Development Canada (ESDC) has provided funding and social investment to the Organization through the Pathways to Solving Youth Homelessness through Social Programs, Social Enterprise and Support program. The program provides support to the Organization's expansion of Impact and other social enterprises, which operate through a combination of social investments and revenues generated from the enterprises. The program also funds Family First programming, the Provincial Expansion, and additional administrative capacity. The agreement with ESDC continues through the 2023 fiscal year. Expenses related to this project during the year have been included in the following categories on the Statement of Revenues and Expenses:

10. Employment and Social Development Canada (continued)

	2023	2022
Social Enterprise and Employment Programming	**$ 2,035,357**	$ 1,358,383
Administration	**787,624**	591,910
Family First Programming	**689,412**	571,912
Provincial expansion	**364,814**	570,085
Soft Landing	**353,662**	92,985
Upstream	**311,732**	302,451
	$ 4,542,601	$ 3,487,726

11. Social Enterprise

Social Enterprise revenue consists of earned revenues pertaining to the sales of goods and services, grants, and cost recovery revenues attributable to Social Enterprise activities. This line excludes revenue from Employment and Social Development Canada that is outlined in Note 10.

12. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations at March 31, 2023.

(a) 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 main credit risks relate to its accounts receivable. The entity provides credit to its clients in the normal course of its operations.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its long-term debt and accounts payable.

(c) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

12. Financial instruments (continued)

(c) Market risk (continued)

(i) 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 interest rate risk on its long-term debt.

13. Subsequent event

Subsequent to year end, the Organization purchased property located at 340 LeMarchant Road for $703,000. To finance the purchase, the Organization obtained a mortgage in the amount of $760,000, which bears interest at prime rate less 0.20%, to maximum of 6.50%, per annum. The loan is repayable in quarterly principal payments of $12,667 plus interest, matures four years from the funding date and is amortized over 15 years. As security for the loan, the Organization has provided a first ranking mortgage on the property, as well as on all revenues generated there from.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.