

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT
Financial Statements
Year Ended March 31, 2016

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT
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Year Ended March 31, 2016

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LYLE TILLEY DAVIDSON

Chartered Accountants



INDEPENDENT AUDITOR'S REPORT

To the Members of HeartWood Centre for Community Youth Development

We have audited the accompanying financial statements of HeartWood Centre for Community Youth Development, which comprise the statement of financial position as at March 31, 2016 and the statements of revenues and expenditures, changes in net assets 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 preparation 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.

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Independent Auditor's Report to the Members of HeartWood Centre for Community Youth Development
(continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, HeartWood Centre for Community Youth Development derives revenue from 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 HeartWood Centre for Community Youth Development. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2015 and March 31, 2016, current assets and net assets as at March 31, 2015 and March 31, 2016.

Qualified Opinion

In our opinion, except for the possible 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 HeartWood Centre for Community Youth Development 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.



Halifax, Nova Scotia
June 29, 2016

CHARTERED ACCOUNTANTS

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ -	\$ 40,410
Accounts receivable (Note 3)	9,031	15,850
Prepaid expenses	4,696	4,702
	13,727	60,962
CAPITAL ASSETS (Note 4)	8,241	11,704
	\$ 21,968	\$ 72,666
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ 22,879	\$ -
Accounts payable and accrued liabilities	8,900	20,095
Deferred revenue (Note 6)	24,979	48,864
	56,758	68,959
NET ASSETS		
Invested in capital assets	8,241	11,704
Unrestricted net assets	(43,031)	(7,997)
	(34,790)	3,707
	\$ 21,968	\$ 72,666

LEASE COMMITMENTS (Note 8)

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT**Statement of Revenues and Expenditures****For the Year Ended March 31, 2016**

	2016	2015
REVENUE		
Leaders of Today	\$ 66,566	\$ 126,543
Youth Corps	14,580	119,245
Taking the Lead	-	84,424
Community Youth Development programs	92,766	90,983
Other federal and provincial government funding	114,136	128,997
Donations	4,734	2,896
Support services (<i>Note 7</i>)	9,153	33,733
	<u>301,935</u>	<u>586,821</u>
EXPENSES		
Amortization	3,464	4,025
Large program expenses (<i>Schedule 1</i>)	59,217	330,211
Other program, administrative and office expenses (<i>Schedule 2</i>)	277,751	245,247
	<u>340,432</u>	<u>579,483</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(38,497)	7,338
OTHER INCOME		
Loss on disposal of capital assets	-	(1,098)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (38,497)	\$ 6,240

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT
Statement of Changes in Net Assets
Year Ended March 31, 2016

	Invested in capital assets	Unrestricted net assets	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 11,704	\$ (7,997)	\$ 3,707	\$ (2,533)
Deficiency of revenue over expenses	(3,463)	(35,034)	(38,497)	6,240
NET ASSETS - END OF YEAR	\$ 8,241	\$ (43,031)	\$ (34,790)	\$ 3,707

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT**Statement of Cash Flows
Year Ended March 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (38,497)	\$ 6,240
Items not affecting cash:		
Amortization	3,463	4,025
Loss on disposal of capital assets	-	1,098
	<u>(35,034)</u>	11,363
Changes in non-cash working capital:		
Accounts receivable	6,819	13,369
Accounts payable and accrued liabilities	(11,195)	(7,749)
Deferred revenue	(23,885)	(162,021)
Prepaid expenses	6	417
	<u>(28,255)</u>	(155,984)
Cash flow used by operating activities	<u>(63,289)</u>	(144,621)
INVESTING ACTIVITY		
Purchase of capital assets	-	(2,646)
DECREASE IN CASH FLOW	(63,289)	(147,267)
Cash - beginning of year	<u>40,410</u>	187,677
CASH (DEFICIENCY) - END OF YEAR	\$ (22,879)	\$ 40,410

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT

Notes to Financial Statements

Year Ended March 31, 2016

PURPOSE OF THE ORGANIZATION

HeartWood Centre for Community Youth Development (the "organization") is a not-for-profit organization incorporated provincially under the Societies Act of Nova Scotia. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization works with youth to develop their skills and confidence as community leaders. HeartWood also trains and coaches adults to meaningfully engage youth.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued, except for transactions with related parties which are recorded at the exchange amount. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash includes cash held in bank accounts and related bank indebtedness.

Contributed materials and services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services and materials are not recognized in the financial statements.

Revenue recognition

HeartWood Centre for Community Youth Development follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses 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.

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HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT

Notes to Financial Statements

Year Ended March 31, 2016

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The most significant estimates include the useful life of capital assets, allowance for doubtful accounts and deferred revenue.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Program equipment	10 years	straight-line method
Computer equipment	30%	declining balance method
Office equipment	30%	declining balance method

Amortization recorded at one half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Impairment of long lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

2. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2016.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, and accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or 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.

(continues)

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT

Notes to Financial Statements

Year Ended March 31, 2016

2. FINANCIAL INSTRUMENTS *(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. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 5,951	\$ 9,652
HST receivable	3,080	6,198
	<u>\$ 9,031</u>	<u>\$ 15,850</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2016 Net book value</u>	2015 Net book value
Program equipment	\$ 20,192	\$ 17,385	\$ 2,807	\$ 3,941
Computer equipment	39,389	34,174	5,215	7,450
Office equipment	48,840	48,621	219	313
	<u>\$ 108,421</u>	<u>\$ 100,180</u>	<u>\$ 8,241</u>	<u>\$ 11,704</u>

5. BANK INDEBTEDNESS

The operating line of credit, which has a balance of \$17,665 at year end, has a limit of \$40,000 and bears interest at the prime rate plus 3%.

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT

Notes to Financial Statements

Year Ended March 31, 2016

6. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Youth Corps	\$ 10,815	\$ 25,395
Government funding - DCS	9,862	9,078
Capital grant	1,302	1,302
Middleton session	-	1,386
Leaders of Today	-	11,703
TD Friends of the Environment	3,000	-
	<u>\$ 24,979</u>	<u>\$ 48,864</u>

7. SUPPORT SERVICES

Support services consist of internal charges of \$9,153 (2015 - \$33,733) from Heartwood to the Leaders of Today and Youth Corps programs. These costs are included in the Leaders of Today and Youth Corps large program expenses on Schedule 1, which includes other support services.

8. LEASE COMMITMENTS

The aggregate annual payments under various property lease expiring August 31, 2021 are as follows:

Contractual obligation repayment schedule:

2017	\$ 26,839
2018	28,530
2019	28,530
2020	28,530
2021	28,530
2022, 5 months	11,888
	<u>\$ 152,847</u>

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT

Schedule of Large Program Expenses

(Schedule 1)

Year Ended March 31, 2016

	2016	2015
Leaders of Today		
Salaries and wages	\$ 28,401	\$ 73,366
Honorariums	1,300	2,950
Materials and equipment	4,265	12,842
Travel, meals and facilities	2,406	10,882
Support services (<i>Note 7</i>)	8,265	26,499
	<u>44,637</u>	<u>126,539</u>
Youth Corps		
Salaries and project wages	11,132	68,913
Honorariums and training	421	2,128
Materials and equipment	2,006	6,787
Travel, meals and facilities	133	20,506
Support services (<i>Note 7</i>)	888	20,912
	<u>14,580</u>	<u>119,246</u>
Taking the Lead		
Salaries and wages	-	57,729
Travel and accommodations	-	3,406
Honorariums and professional fees	-	6,402
Facilities	-	3,986
Office equipment	-	1,852
Material and supplies	-	6,701
Food	-	4,350
	<u>-</u>	<u>84,426</u>
Total large program expenses	\$ 59,217	\$ 330,211

HEARTWOOD CENTRE FOR COMMUNITY YOUTH DEVELOPMENT
Schedule of Other Program, Administrative and Office Expenses
(Schedule 2)

Year Ended March 31, 2016

	2016	2015
Other program expenses		
Materials and equipment	\$ 9,812	\$ 4,203
Salaries and wages	183,911	202,360
Honorariums and bursaries	2,040	7,675
Rental	1,858	1,418
Training	937	1,341
Travel, meals and accommodations	6,899	10,714
	<u>205,457</u>	<u>227,711</u>
Administrative expenses		
Accounting and audit fees	4,838	4,945
Insurance	5,187	6,015
Interest and bank charges	284	229
Meetings and travel	166	260
Memberships	31	40
Salaries and wages	40,826	39,762
	<u>51,332</u>	<u>51,251</u>
Office expenses		
Rent and utilities	23,424	24,076
Supplies and miscellaneous	1,307	2,753
Telephone	2,338	2,392
	<u>27,069</u>	<u>29,221</u>
Less: support services (expenses reallocated within large program expenses)	<u>(6,107)</u>	<u>(62,936)</u>
Total other programs, administrative and office expenses	<u>\$ 277,751</u>	<u>\$ 245,247</u>