

**Project Hostel o/a Yellow Brick
House
Financial Statements
For the year ended March 31, 2018**

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Independent Auditor's Report

To the Board of Directors of Project Hostel o/a Yellow Brick House

We have audited the accompanying financial statements of Project Hostel o/a Yellow Brick House, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenues 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 entity. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations and fundraising, excess (deficiency) of revenue over expenses, and cash flows from operations 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 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 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 Project Hostel o/a Yellow Brick House 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
Mississauga, Ontario
June 21, 2018

Project Hostel o/a Yellow Brick House
Statement of Financial Position

March 31 **2018** **2017**

Assets

Current

Cash	\$ 1,585,652	\$ 807,921
Short-term investments (Note 2)	-	191,378
Accounts receivable	151,265	87,241
Prepaid expenses	16,142	18,163
	1,753,059	1,104,703

Capital assets (Note 3) 3,389,197 3,355,082

\$ 5,142,256 **\$ 4,459,785**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 210,644	\$ 177,137
Deferred revenue	125,705	94,790
Current portion of long-term debt (Note 6)	72,014	251,458
	408,363	523,385

Long-term debt (Note 6) 132,025 -

Deferred capital contributions (Note 4) 1,440,835 1,295,089

1,981,223 1,818,474

Net Assets

Invested in capital assets (Note 7)	1,744,323	1,808,535
Internally restricted	743,139	483,278
Unrestricted	673,571	349,498
	3,161,033	2,641,311

\$ 5,142,256 **\$ 4,459,785**

On behalf of the Board:

 _____ Director

 _____ Director

Project Hostel o/a Yellow Brick House

Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Ministry of Community and Social Services (Note 10)	\$ 2,793,871	\$ 2,127,958
Donations and fundraising	927,375	671,917
Ministry of Children and Youth Services	133,090	133,090
Grants	21,986	11,120
United Way	119,870	119,870
Ministry of Attorney General (Note 11)	81,250	81,250
Ontario Trillium Foundation	100,600	151,500
Regional Municipality of York	67,496	59,936
Amortization of deferred capital contributions (Notes 4, 7)	172,595	120,854
Other income	100,001	63,735
Canada Mortgage and Housing Corporation	-	7,847
	4,518,134	3,549,077
Expenses		
Salaries and benefits	2,627,219	2,584,877
Program (Note 10)	351,333	364,487
Amortization of capital assets (Note 7)	284,226	264,198
Repairs and maintenance	412,036	111,124
Office and administration	63,825	61,263
Occupancy costs	68,638	67,935
Utilities	62,891	67,844
Fundraising	75,762	103,411
Insurance	26,023	28,284
Professional fees	18,557	23,259
Mortgage interest	7,902	8,460
	3,998,412	3,685,142
Excess (deficiency) of revenue over expenses for the year	\$ 519,722	\$ (136,065)

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

Project Hostel o/a Yellow Brick House
Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets	Internally Restricted	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$ 1,808,535	\$ 483,278	\$ 349,498	\$ 2,641,311	\$ 2,777,376
Excess (deficiency) of revenue over expenses (Note 7)	(111,631)	-	631,353	519,722	(136,065)
Purchase of capital assets	318,341	-	(318,341)	-	-
Funding received for purchase of capital assets	(318,341)	-	318,341	-	-
Long-term debt payments	47,419	-	(47,419)	-	-
Transfer from unrestricted to internally restricted	-	259,861	(259,861)	-	-
Balance, end of year	\$ 1,744,323	\$ 743,139	\$ 673,571	\$ 3,161,033	\$ 2,641,311

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

Project Hostel o/a Yellow Brick House
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 519,722	\$ (136,065)
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	284,226	264,198
Amortization of deferred capital contributions	(172,595)	(120,854)
Changes in non-cash working capital balances		
Accounts receivable	(64,024)	15,674
Prepaid expenses	2,021	6,456
Accounts payable and accrued liabilities	33,507	(33,792)
Deferred revenue	30,915	3,237
	<u>633,772</u>	<u>(1,146)</u>
Investing activities		
Purchase of capital assets	(318,341)	(158,929)
Redemption (purchase) of short-term investments	191,378	(2,065)
	<u>(126,963)</u>	<u>(160,994)</u>
Financing activities		
Long-term debt payments	(47,419)	(42,500)
Funds utilized for capital asset purchases	318,341	144,800
	<u>270,922</u>	<u>102,300</u>
Increase (decrease) in cash	777,731	(59,840)
Cash, beginning of year	807,921	867,761
Cash, end of year	\$ 1,585,652	\$ 807,921

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

Project Hostel o/a Yellow Brick House

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Nature of Operations

Project Hostel o/a Yellow Brick House (“the Organization”) is a charitable organization that provides services in York Region to women and children who have experienced violence and abuse. The Organization provides emergency, crisis and short term supportive counselling in individual and group formats; provides secure emergency shelter and transitional housing; provides information, referral services and practical assistance; organizes and supports community events and public education initiatives designed to increase awareness of issues relating to violence against women; and promotes and contributes to social change initiatives designed to achieve equality and contribute to the eradication of violence against women and children.

The Organization was founded in 1978 and is incorporated without share capital under the laws of the Province of Ontario. The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which includes donations and grants.

The Organization is funded in part by the Government of Ontario in accordance with budget arrangements established by the Ministry of Community and Social Services. Operating grants are recorded as revenue in the period to which they relate.

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. Interest is recorded when earned.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Externally restricted contributions used to purchase land are recorded as a direct increase in net assets invested in capital assets.

Deferred Revenue

Deferred revenue represents amounts received in advance relating to restricted revenue from external sources. These amounts will be recognized as revenue in the ensuing fiscal year corresponding with the period in which the related expenses are incurred.

Project Hostel o/a Yellow Brick House

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	-	5%
Building renovations	-	15%
Computer equipment	-	20%
Office furniture and equipment	-	20%

Internally Restricted Fund

The internally restricted fund has been restricted by the Board of Directors as a contingency reserve. During the year \$259,861 (2017 - \$Nil) was approved to be transferred into the fund.

Use of Estimates

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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

Donations of Materials and Contributed Services

Donations of materials are recorded at fair market value as part of fundraising revenue and expenses when fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased. The total fair value of donated materials recorded in the financial statements is \$Nil (2017 - \$126). The Organization receives substantial donations of materials and volunteer time that cannot be easily measured or valued and are not recognized in these financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, investments are recorded at fair value. All other financial instruments are reported at cost or amortized cost less impairment when changes in circumstances indicate the asset could be impaired.

Project Hostel o/a Yellow Brick House

Notes to Financial Statements

March 31, 2018

2. Investments

Investments in the prior year consisted of a non-redeemable Guaranteed Investment Certificate that earned interest at 1.10% compounded annually that matured in June 2017.

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,393,432	\$ -	\$ 1,393,432	\$ -
Buildings	3,658,062	2,090,381	3,658,062	1,946,982
Building renovations	474,860	106,674	236,300	35,445
Computer equipment	185,376	185,376	185,376	185,376
Office furniture and equipment	347,987	288,089	268,206	218,491
	\$ 6,059,717	\$ 2,670,520	\$ 5,741,376	\$ 2,386,294
Net book value		\$ 3,389,197		\$ 3,355,082

4. Deferred Capital Contributions

	2018	2017
Balance, beginning of year	\$ 1,295,089	\$ 1,271,143
Amortization of deferred capital contributions	(172,595)	(120,854)
Funds utilized for purchase of capital assets	318,341	144,800
	\$ 1,440,835	\$ 1,295,089

5. Credit Facility

The Organization has a demand credit facility available in the amount of \$100,000 bearing interest at prime plus 1% per annum, secured by a general security agreement over all assets and an assignment of fire insurance for the Richmond Hill property. As at March 31, 2018, \$Nil was drawn on this facility (2017 - \$Nil).

Project Hostel o/a Yellow Brick House
Notes to Financial Statements

March 31, 2018

6. Long-term Debt

	2018	2017
Bank of Nova Scotia mortgage on the Richmond Hill property, bearing interest at prime rate plus 0.4% per annum, repayable in monthly principal payments of \$6,001 plus interest, secured by the general security agreement in Note 5, maturing January 2021	\$ 204,039	\$ 251,458
Less: Current portion of long-term debt	72,014	251,458
	\$ 132,025	\$ -

Principal payments required on long-term debt for the next three years are as follows:

2019	\$	72,014
2020		72,014
2021		60,011
	\$	204,039

7. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 3,389,197	\$ 3,355,082
Amounts financed by deferred capital contributions	(1,440,835)	(1,295,089)
Amounts financed by long-term debt	(204,039)	(251,458)
	\$ 1,744,323	\$ 1,808,535

Excess (deficiency) of revenue over expenses included in invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred capital contributions	\$ 172,595	\$ 120,854
Amortization of capital assets	(284,226)	(264,198)
	\$ (111,631)	\$ (143,344)

Project Hostel o/a Yellow Brick House

Notes to Financial Statements

March 31, 2018

8. Infrastructure Agreement

The Organization entered into an Infrastructure Project Agreement with the Minister of Community and Social Services ("Ontario") on February 15, 2011 which was subsequently amended, whereby Ontario will assist the Organization by providing funds for the acquisition and renovation of certain premises to be used in the provision of services to the client group designated and funded by Ontario. In accordance with the amended agreement, Ontario provided financial assistance in the amount of \$1,776,955 for the infrastructure project. The terms and conditions of this financial assistance are:

- (a) The Organization will maintain a separate bank account for all infrastructure projects funded by Ontario and all accrued interest on unexpended grants shall be credited to the Ontario's proportionate share of the project.
- (b) Ontario and the Organization will each contribute its proportionate share of the approved cost of the project.
- (c) The Organization will not change the site, structure or use of, or sell, agree to lease, mortgage, encumber, donate or otherwise dispose of all or any part of the premises, or use the premises for other than accommodating the program without the prior written approval of Ontario.
- (d) If the premises is sold, the net proceeds are to be distributed to the Organization and Ontario in accordance with the proportionate share of the parties.
- (e) The Organization has registered on title a restrictive covenant in accordance with the terms of this project agreement.

As at March 31, 2018, the proportionate shares of Ontario and the Organization are as follows:

Ontario's contribution for the purchase of the premises	\$ 1,535,000	
Ontario's contribution for repairs and maintenance	241,955	
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Ontario's total contribution and percentage	1,776,955	92%
Organization's total contribution and percentage	153,266	8%
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Total project costs	\$ 1,930,221	100%
	<hr/>	

9. 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 long-term debt. This risk has not changed from the prior year.

Project Hostel o/a Yellow Brick House

Notes to Financial Statements

March 31, 2018

10. OAITH Funding

During the year, funding from the Ministry of Community and Social Services was received by the Organization and flowed through directly to the Ontario Association of Interval and Transition Houses ("OAITH").

	2018	2017
Revenue		
Ministry of Community and Social Services	\$ 3,223,871	\$ 2,237,958
Less: Distributed to OAITH	(430,000)	(110,000)
Net Ministry of Community and Social Services Revenue	\$ 2,793,871	\$ 2,127,958
Expenses		
Program	\$ 781,333	\$ 474,487
Less: Distributed to OAITH	(430,000)	(110,000)
Net Program Expenses	\$ 351,333	\$ 364,487

11. Ministry of Attorney General

Revenue and expenses for the Ministry of Attorney General funding for the year are as follows:

	2018	2017
Revenue		
Ministry of the Attorney General	\$ 81,250	\$ 81,250
Expenses		
Court and legal support coordinator salary (included in salaries and benefits)	55,700	54,900
Benefits (included in salaries and benefits)	15,230	15,150
Office supplies and materials (included in office and administration)	10,320	11,200
	81,250	81,250
Excess of revenue over expenses	\$ -	\$ -

12. Comparative Figures

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