

**PELLETIER YOUTH IN TRANSITION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
MARCH 31, 2013**

**PELLETIER YOUTH IN TRANSITION**

**MARCH 31, 2013**

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# **JEFFREY D. MILGRAM B.Comm.**

## **Chartered Accountant/Licensed Public Accountant**

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### **INDEPENDENT AUDITOR'S REPORT**

**To the Directors of  
Pelletier Youth in Transition**

**I have audited the accompanying financial statements of Pelletier Youth in Transition which comprise the statement of financial position as at March 31, 2013 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 generally accepted accounting principles 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*

**My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.**

**I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my qualified audit opinion.**

*Basis for Qualification*

In common with many charitable organizations the organization derives revenue from contributions and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and net assets.

*Qualified Opinion*

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the contributions and fundraising referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Pelletier Youth in Transition as at March 31, 2013 and the results of its operations and cash flows for the year ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

A handwritten signature in black ink that reads "Jeffrey D. Milgram". The signature is written in a cursive style with a long horizontal flourish extending to the right.

**CHARTERED ACCOUNTANT  
LICENSED PUBLIC ACCOUNTANT  
TORONTO, CANADA  
OCTOBER 22, 2013**

**PELLETIER YOUTH IN TRANSITION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	268,183	883,672
Scholarship and emergency fund bank	31,236	58,094
Accounts receivable	3,112	1,904
Government remittances receivable	885	1,538
Prepaid expenses	<u>2,448</u>	<u>2,515</u>
	305,864	947,723
<b>LONG TERM</b>		
Long term investments (Note 3)	<u>1,402,984</u>	<u>514,557</u>
	<u>1,708,848</u>	<u>1,462,280</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	<u>5,757</u>	<u>7,048</u>
<b>NET ASSETS</b>		
Unrestricted	1,671,855	940,287
Scholarship and emergency fund	31,236	58,094
Capital Fund	<u>-</u>	<u>456,851</u>
	<u>1,703,091</u>	<u>1,455,232</u>
	<u>1,708,848</u>	<u>1,462,280</u>

**APPROVED BY THE BOARD:**

\_\_\_\_\_ DIRECTOR                      \_\_\_\_\_ DATE

\_\_\_\_\_ DIRECTOR                      \_\_\_\_\_ DATE

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

**PELLETIER YOUTH IN TRANSITION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2013**

	<b>Capital Fund</b>	<b>Scholarship and Emergency Fund</b>	<b>Operating Fund</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	456,851	58,094	940,287	1,455,232	1,448,895
Excess of revenues over expenses	-	(26,858)	274,717	247,859	6,337
Interfund transfers (Note 5)	<u>(456,851)</u>	<u>-</u>	<u>456,851</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>-</u></u>	<u><u>31,236</u></u>	<u><u>1,671,855</u></u>	<u><u>1,703,091</u></u>	<u><u>1,455,232</u></u>

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

**PELLETIER YOUTH IN TRANSITION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2013**

	<b>Capital Fund</b>	<b>Scholarship and Emergency Fund</b>	<b>Operating Fund</b>	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>REVENUE</b>					
<b>Donations</b>					
• individuals/corporations/foundations	-	-	232,857	232,857	185,420
• estate	-	-	120,000	120,000	-
Fundraising (Note 4)	-	-	22,665	22,665	19,463
Investment income	-	-	43,687	43,687	15,142
Unrealized gain on market valuation of investment portfolio	<u>-</u>	<u>-</u>	<u>72,503</u>	<u>72,503</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>491,712</u>	<u>491,712</u>	<u>220,025</u>
<b>EXPENSES</b>					
Hope for Youth Program	-	-	100,000	100,000	100,000
Spirit Mentoring Program	-	-	83,350	83,350	63,000
Scholarships	-	26,858	-	26,858	33,265
Tutoring	-	-	5,918	5,918	-
Administration	-	-	14,367	14,367	14,244
Bank and broker fees	-	-	9,684	9,684	2,759
Fundraising	<u>-</u>	<u>-</u>	<u>3,676</u>	<u>3,676</u>	<u>420</u>
	<u>-</u>	<u>26,858</u>	<u>216,995</u>	<u>243,853</u>	<u>213,688</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>-</u>	<u>(26,858)</u>	<u>274,717</u>	<u>247,859</u>	<u>6,337</u>

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

**PELLETIER YOUTH IN TRANSITION**  
**STATEMENT OF CASH FLOWS**  
**AS AT MARCH 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Cash from operating activities</b>		
Excess of revenue over expense for the year	247,859	6,337
Add: Non-cash items:		
Amortization of capital assets	<u>-</u>	<u>239</u>
	247,859	6,576
<b>Net change in non cash working capital</b>		
Accounts receivable	(555)	74,957
Prepaid expenses	67	14,375
Accounts payable and accrued liabilities	<u>(1,291)</u>	<u>(13,677)</u>
<b>Net cash generated by operating activities</b>	<u>246,080</u>	<u>82,231</u>
<b>Investment Activities</b>		
Long term investments	(888,427)	<u>29,526</u>
<b>Net cash generated by investing activities</b>	(888,427)	<u>29,526</u>
<b>(Decrease) increase in cash and cash equivalents</b>	(642,347)	111,757
<b>CASH AND CASH EQUIVALENTS at beginning of year</b>	<u>941,766</u>	<u>830,009</u>
<b>CASH AND CASH EQUIVALENTS at end of year</b>	<u>299,419</u>	<u>941,766</u>
<b>COMPRISED OF:</b>		
Cash and cash equivalents	204,715	369,627
Short term investments (Note 3)	63,468	514,045
Scholarship and emergency fund bank	<u>31,236</u>	<u>58,094</u>
	<u>299,419</u>	<u>941,766</u>

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

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**1. Operations**

**Nature and Purpose of the Organization**

The primary objective of Pelletier Youth in Transition is to focus on youth in transition from care to independence by providing programs through third party service providers that are themselves, charitable organizations that provide services to youth. Operations also include a scholarship program to assist youth in their educational endeavors and a mentorship program allowing youth to form meaningful bonds with responsible adults.

Pelletier Youth in Transition was incorporated under The Corporations Act of Ontario as a corporation without share capital under supplementary letters patent dated February 22, 2010.

**Accounting Framework**

The corporation prepares its financial statements in accordance with the Canadian Institute of Chartered Accountant's (CICA) Handbook, Part III, Canadian generally accepted accounting principles for not-for-profit organizations (ASNPO).

**2. Significant Accounting Policies**

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant policies:

**Basis of Accounting**

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

**Fund Accounting**

The organization follows the fund method of accounting and maintains the following funds;

(i) **Capital Fund**

Pelletier Youth in Transition's capital fund primarily represents the proceeds of disposition of its real estate holdings prior to fiscal 2011 as well as gains or losses incurred from the disposal of those real estate holdings. As further detailed in Note 5, the Organization closed this fund during the 2013 fiscal year.

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**2. Significant Accounting Policies - Continued**

**Fund Accounting - Continued**

**(ii) Scholarship and Emergency Fund**

This fund represents designated contributions made to Pelletier Youth in Transition. Distributions are to be expensed on emergency aid and educational and scholarship related programs. The Board initiated the fund with an initial injection of \$80,000 by funds' transfer in 2010.

**Revenue Recognition**

Restricted contributions, donations and fundraising, and interest are included in revenue of the applicable fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonable assured.

Unrestricted contributions and grants are recognized as revenue of the operating fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonable assured.

**Cash and Cash Equivalents**

Cash and equivalents includes cash on hand, current bank deposits, a segregated gaming account and investment deposits held by brokers or financial institutions having a maturity of less than 90 days from the year end date.

**Investments**

Investments with a maturity date of 90 days or less from the year end date are included in the cash and cash equivalents balance at year end. Investments with a maturity date of 91 days or more from the date of the year end but less than 365 days are included in short term investments at year end. Short term investments may also include marketable securities representing portfolio equity stocks held at year end that are pending disposition by the organization. Investments with maturity dates of greater than 365 days from the year end are classified as long term investments.

**Investment Income**

Interest is recognized as earned. Dividends are recognized when declared. Capital gains and losses are recognized on the settlement date of the transaction, or, for unrealized gains and losses, periodically at year end by an adjustment to fair value which is included in the determination of net income.

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**2. Significant Accounting Policies – Continued**

**Estimates**

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. This 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 reporting period. Actual results could differ from those estimates.

During the year, management exercised its judgment in the estimation of interest receivable, prepaid expenses, and certain liability accruals.

**Contributed Services**

Donations of materials which are not normally purchased by the Organization are not recorded in the accounts. The work of the Organization is also heavily dependent on the voluntary service of its members. Since these services are not normally purchased by the Organization, and because of the difficulty of determining their fair value, the value of donated volunteer services is not recognized in these statements.

**Financial Assets and Financial Liabilities**

**(i) Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments, which are based on public stock exchange transactions in an active market and are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred. Financial assets measured at amortized cost include cash, amounts receivable and fixed income investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**2. Significant Accounting Policies - Continued**

**Financial Assets and Financial Liabilities - Continued**

**(ii) Impairment**

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, bankruptcy or other financial indicators indicating distress relating to the item valued.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- a) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- b) the amount that could be realized by selling the asset at the statement of financial position date; and
- c) the amount the Organization expects to realize by exercising its rights to any collection action less the costs necessary to exercise those actions.

When the Organization determines an adjustment to the carrying value is required, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31 2013**

**2. Significant Accounting Policies - Continued**

**Financial Assets and Financial Liabilities – Continued**

**(iii) Transaction costs**

Transaction costs are recognized in the statements of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with managing of the Organization's portfolio investment holdings are expensed as incurred.

**Income Tax Status**

The organization is exempt from income tax in Canada as a registered charity under Section 149(1)(f) of the Income Tax Act of Canada.

**3. Investments**

Short-term investments which have been included in the cash and cash equivalents position at year end consist of the following holding(s):

	<u>Financial Institute</u>	<u>Maturity Date</u>	<u>Rate of Return</u>	<u>Fair Value</u> \$
Money market funds	Bank of Nova Scotia	N/A	market	<u>63,468</u>

Long-term investments at year end consist of the following holdings:

	<u>Financial Institute</u>	<u>Maturity Date</u>	<u>Rate of Return</u>	<u>Fair Value</u> \$
Fixed income bonds	Federal Government	various	3.35-4.10%	159,643
Fixed income bonds	Provincial Government	various	4.25-4.65%	63,182
Fixed income bonds	Bank of Nova Scotia	various	market	596,635
Real estate trusts	Riocan	n/a	5.1%	9,452
Equity investments		n/a	n/a	<u>574,072</u>
				<u>1,402,984</u>

**PELLETIER YOUTH IN TRANSITION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**4. Fundraising**

Gross receipts received from bingo and fundraising events amounted to \$30,090 (2012 - \$29,925) with the associated expenses incurred amounting to \$7,425 (2012 - \$10,530).

**5. Interfund Transfers**

In fiscal 2010, \$409,897 was transferred from the Capital Fund to the Operating Fund in order to repay the cash outlays for purchase of properties and equipment and mortgage principal and interest payments funded by the Operating Fund in previous years. In addition, 2010 saw the transfer of \$24,134 from the Operating Fund to the Scholarship and Emergency Fund to establish an initial \$80,000 cash amount to fund scholarships and emergency needs of youth in transitional care. The residual balance of the fund at the end of the current year stands at \$31,236.

In 2013 the Organization closed the capital fund as its current strategic plan does not foresee the replacement of real property capital assets.

**6. Investment Income and Expense**

Investment income earned and interest expense paid is reported as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Dividend income earned	<u>5,693</u>	<u>-</u>
Interest income earned	<u>10,890</u>	<u>10,990</u>
Interest expense paid	<u>548</u>	<u>-</u>

**7. Capital Disclosures**

The Organization's capital is comprised of net amounts invested in the capital fund, the scholarship and emergency fund and the operating fund.

The Board maintains an operating fund balance sufficient to meet the annual working capital requirements. The Board has also established a statement of Investment Policy which is conservative and seeks a balance between income investments, which offer the highest immediate income but little protection against inflation, and common stocks, which generally yield a relatively low immediate dividend but show promise of dividend growth and appreciation in value. The finance committee reviews the annual budget and cash flow forecast, which includes program requirements, and determines the working capital needs for the year. During the year, the actual results are monitored against the forecast and changes made as required.

**PELLETIER YOUTH IN TRANSITION  
NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2013**

**8. Risk**

**Liquidity Risk**

The Organization manages its liquidity risk by monitoring actual and projected cash flows, from both administrative operations and program activities, to ensure that there will always be sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

**General**

The Organization holds liquid financial assets in the form of cash, short term investments and accounts receivable. It is management's opinion that the fair value of these financial instruments approximates their stated value, plus accrued interest where applicable, due to the short term to maturity for the items held at year end. Additional financial instruments held in the form of equity investments are measured at their fair market value which takes into account any market risk as detailed below.

The Organization also holds financial liabilities in the form of accounts payable and accrued liabilities, and deferred revenue. Except as noted elsewhere, as with the liquid financial assets, fair value and stated value of these financial liabilities approximate each other at year end due to the short term to maturity of the liabilities and debts held at March 31, 2013.

**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 the market price of the investments held. Market risk comprises three types of risk; currency risk, interest risk, and price risk. As the organization only operates in Canadian dollars, it has no exposure to currency risk in the year. Interest risk is discussed below. Over the past several years, the Organization has been exposed to price risk in that it maintains an investment portfolio of equity positions. These equity investments are reviewed and monitored by the investment committee on a regular basis and trades affected to react to changes in market conditions. In addition, the portfolio is diversified and accordingly, management does not believe it is exposed to any significant market risk in excess of that provided for in the year by reflecting equities at fair market value.

PELLETIER YOUTH IN TRANSITION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2013

8. Risk - Continued

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair value of financial instruments.

Interest rate risk arises when the Organization invests in interest-bearing financial instruments. The organization is exposed to the risk that the value of such financial instruments will fluctuate due to the prevailing levels of market interest rates.

As at March 31, 2013, the Organization held interest bearing investments in the form of government and corporate bonds and accordingly is subject to the risk associated with interest rate changes.

While the risk of future cash flows from the investments will accordingly increase or decrease with the changes to the market rate of interest on similar investments, these investments may be sold at any time which does not preclude management from liquidating these investments and reinvesting at a more favourable rate, therefore minimizing the exposure to interest rate risk on these investment vehicles.

Other Risks

It is management's opinion that the Organization is not exposed to significant credit risk arising from the financial instruments held.