PELLETIER YOUTH IN TRANSITION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2014

PELLETIER YOUTH IN TRANSITION

MARCH 31, 2014

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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, 2014 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 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

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, 2014 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.

Jeffrey D. Milgram

CHARTERED ACCOUNTANT

LICENSED PUBLIC ACCOUNTANT

TORONTO, CANADA

OCTOBER 13, 2014

PELLETIER YOUTH IN TRANSITION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	2014 $	2013 $
ASSETS		
CURRENT		
Cash and cash equivalents	223,949	268,183
Scholarship and emergency fund bank	-	31,236
Short-term investments (Note 3)	975,528	-
Accounts receivable	3,083	3,112
Government remittances receivable	2,033	885
Prepaid expenses	65,959	2,448
	1,270,552	305,864
LONG TERM		
Long term investments (Note 3)	949,523	1,402,984
	2,220,075	1,708,848
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	5,761	5,757
NET ASSETS		
Unrestricted	2,214,314	1,671,855
Scholarship and emergency fund	-	31,236
	2,214,314	1,703,091
	2,220,075	1,708,848

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, 2014

	Scholarship and Emergency Fund $	Operating Fund $	2014 $	2013 $
Balance, beginning of year	31,236	1,671,855	1,703,091	1,455,232
Excess of revenues over expenses	(32,530)	543,753	511,223	247,859
Interfund transfers (Note 5)	1,294	(1,294)	-	-
Balance, end of year	-	2,214,314	2,214,314	1,703,091

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

PELLETIER YOUTH IN TRANSITION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2014

	Scholarship and Emergency Fund	Operating Fund	2014	2013
	$	$	$	$
REVENUE				
Donations				
• individuals/corporations/foundations	-	208,206	208,206	232,857
• estate	-	457,370	457,370	120,000
Fundraising (Note 4)	-	30,413	30,413	30,090
Investment income	-	70,029	70,029	43,687
Unrealized gain on market valuation of investment portfolio	-	57,183	57,183	72,503
	-	823,201	823,201	499,137
EXPENSES				
Hope for Youth Program	-	121,000	121,000	100,000
Spirit Mentoring Program	-	117,711	117,711	83,350
Scholarships and awards	32,530	473	33,003	26,858
Tutoring	-	6,638	6,638	5,918
Administration	-	13,459	13,459	14,367
Bank and broker fees	-	11,995	11,995	9,684
Fundraising (Note 4)	-	8,172	8,172	11,101
	(32,530)	279,448	311,978	251,278
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	(32,530)	543,753	511,223	247,859

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

PELLETIER YOUTH IN TRANSITION

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2014

	2014 $	2013 $
Cash from operating activities		
Excess of revenue over expense for the year	511,223	247,859
Add: Non-cash items:		
Amortization of capital assets	-	-
	511,223	247,859
Net change in non cash working capital		
Accounts receivable	(1,119)	(555)
Prepaid expenses	(63,511)	67
Accounts payable and accrued liabilities	4	(1,291)
Net cash generated by operating activities	446,597	246,080
Investment Activities		
Long term investments	453,461	(888,427)
Net cash generated by investing activities	453,461	(888,427)
Increase (decrease) in cash and cash equivalents	900,058	(642,347)
CASH AND CASH EQUIVALENTS at beginning of year	299,419	941,766
CASH AND CASH EQUIVALENTS at end of year	1,199,477	299,419
COMPRISED OF:		
Cash and cash equivalents	223,949	204,715
Short term investments (Note 3)	975,528	63,468
Scholarship and emergency fund bank	-	31,236
	1,199,477	299,419

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

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

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.

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 but by the end of the current year all funds had been disbursed.

Revenue Recognition

Restricted contributions are included in the 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.

Donations and fundraising are recognized when received.

Interest income 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.

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 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.

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

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, 2014

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 2014

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):

	Financial Institute	Maturity Date	Rate of Return	Fair Value $
Money market funds	Bank of Nova Scotia	N/A	market	109,413

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

	Financial Institute	Maturity Date	Rate of Return	Fair Value $
Fixed income bonds	Federal Government	n/a	2.72%	121,302
Fixed income bonds	Cdn Corporate Bond	n/a	3.74%	647,785
Fixed income bonds	Bank of Nova Scotia	n/a	3.52%	113,181
Fixed income bonds	Bank of Nova Scotia	n/a	2.52%	87,879
Fixed income bonds	Other – Interest accrued	n/a	-	3,525
Equity investment		n/a	n/a	1,856
				975,528

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

3. Investments - Continued

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

	Financial Institute	Maturity Date	Rate of Return	Fair Value $
Fixed income bonds	Federal Government	15/12/2020	2.34%	48,858
Fixed income bonds	Federal Government	15/12/2018	1.90%	14,281
Fixed income bonds	Provincial Government	01/12/2015	1.20%	9,452
Fixed income bonds	Provincial Government	18/12/2018	1.94%	20,183
Fixed income bonds	Provincial Government	02/06/2019	2.22%	32,058
Equity investment		n/a	n/a	824,691
				949,523

4. Fundraising

Gross receipts received from bingo events amounted to $27,280 (2013 - $26,905) with the associated expenses incurred amounting to $7,140 (2013 - $7,425).

5. Interfund Transfers

In fiscal 2010, the Organization transferred $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 nil (2013 - $31,236).

6. Investment Income and Expense

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

	2014 $	2013 $
Dividend income earned	22,912	5,693
Interest income earned	4,611	10,890
Interest expense paid	121	548

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

7. 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, 2014.

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, 2014

7. 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, 2014, 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.