PELLETIER YOUTH IN TRANSITION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2012

PELLETIER YOUTH IN TRANSITION

MARCH 31, 2012

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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, 2012 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, 2012 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.

CHARTERED ACCOUNTANT

LICENSED PUBLIC ACCOUNTANT

TORONTO, CANADA

SEPTEMBER , 2012

PELLETIER YOUTH IN TRANSITION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	March 31 2012 $	March 31 2011 $	April 1 2010 $
ASSETS			
CURRENT			
Cash and cash equivalents	884,372	739,350	831,202
Scholarship and emergency fund bank	57,394	90,659	80,000
Accounts receivable	1,904	75,076	2,660
Government remittances receivable	1,538	3,323	6,616
Prepaid expenses	2,515	16,890	1,155
	947,723	925,298	921,633
LONG TERM			
Long term investments (Note 3)	514,557	544,083	-
CAPITAL ASSETS (Note 4)	-	239	292,613
	1,462,280	1,469,620	1,214,246
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	7,048	20,725	24,800
Mortgage payable – current (Note 5)	-	-	260,594
	7,048	20,725	285,394
DEFERRED REVENUE			
Deferred contributions relating to operations	-	-	70,104
Deferred contributions relating to capital	-	-	44,408
	-	-	114,512
NET ASSETS			
Unrestricted net assets	940,287	901,385	747,386
Scholarship and emergency fund - net assets	58,094	90,659	80,000
Capital Fund - net assets	456,851	456,851	(13,046)
	1,455,232	1,448,895	814,340
	1,462,280	1,469,620	1,214,246

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, 2012

	Capital Fund	Scholarship and Emergency Fund	Operating Fund	2012	2011
	$	$	$	$	$
Balance, beginning of year	456,851	90,659	901,385	1,448,895	814,340
Excess of revenues over expenses	-	(33,565)	38,902	6,337	634,555
Interfund transfers (Note 7)	-	-	-	-	-
Balance, end of year	456,851	58,904	940,287	1,455,232	1,448,895

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

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

	Capital Fund $	Scholarship and Emergency Fund $	Operating Fund $	2012 $	2011 $
REVENUE					
Donations	-	700	184,720	185,420	207,626
Recognition of deferred funding	-	-	-	-	114,512
Investment income and sundry	-	-	15,142	15,142	8,379
Fundraising (Note 6)	-	-	19,463	19,463	22,025
Gain on sale of properties	-	-	-	-	427,672
	-	700	219,325	220,025	780,214
EXPENSES					
Aftercare outreach programming	-	-	100,000	100,000	100,000
Spirit needs	-	-	63,000	63,000	-
Accommodation and storage	-	-	936	936	2,183
Operating - other	-	-	239	239	9,790
Administration	-	-	16,248	16,248	28,720
Scholarships	-	33,265	-	33,265	4,966
	-	33,265	180,423	213,688	145,659
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	(32,565)	38,902	6,337	634,555

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

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2012

	2012 $	2011 $
Cash from operating activities		
Excess of revenue over expense for the year	6,337	634,555
Add: Non-cash items:		
Amortization of capital assets	239	715
Amortization of deferred revenue	-	(114,512)
Less: Non-operating gains/losses:		
Gain on sale of capital assets	-	(427,672)
	6,576	93,086
Net change in non cash working capital		
Accounts receivable	74,957	(69,123)
Prepaid expenses	14,375	(15,735)
Accounts payable and accrued liabilities	(13,677)	(4,075)
Net cash generated by operating activities	82,231	4,153
Financing Activities		
Mortgage principal repayments	-	(260,594)
Net cash used by financing activities	-	(260,594)
Investment Activities		
Long term investments	29,526	(544,083)
Net proceeds from sale of capital assets	-	719,331
Net cash generated by investing activities	29,526	175,248
Increase (decrease) in cash and cash equivalents	111,757	(81,193)
CASH AND CASH EQUIVALENTS at beginning of year	830,009	911,202
CASH AND CASH EQUIVALENTS at end of year	941,766	830,009
COMPRISED OF:		
Cash and cash equivalents	370,327	739,350
Short term investments (Note 3)	514,045	-
Scholarship and emergency fund bank	57,394	90,659
	941,766	830,009

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

PELLETIER YOUTH IN TRANSITION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012

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.

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.

Changes to Accounting Framework

Prior to March 31, 2012, the Organization prepared its financial statements in accordance with the Canadian Institute of Chartered Accountants' (CICA) Handbook, Part V, Canadian generally accepted accounting principles. Effective March 31, 2012, the Organization converted its financial statement presentation to conform with the CICA Handbook, Part III, Canadian generally accepted accounting principles for not-for-profit organizations (ASNPO). This change in accounting policy has been retroactively applied with an effective date of transition of April 1, 2010.

Acceptance of the ASNPO reporting framework did not result in any changes to opening surplus position for either comparative reporting period or the revaluation of any financial instruments, asset or liability previously disclosed.

2. Significant Accounting 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 periodically holds fund-raising events to raise money for Youth in Transition programs and infrastructure improvements. In addition, purchases, as well as gains or losses incurred from the disposal of real estate holdings will affect the balance of this fund.

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 funds 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 90 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 a 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, 2012

2. Significant Accounting Policies - Continued

Capital Assets and Amortization

Purchased properties and equipment are recorded at cost. Contributed properties and equipment are recorded at fair value at the date of contribution. Properties and equipment are stated at cost less accumulated amortization and are amortized on a straight-line basis over the assets' estimated useful lives at the following annual rates:

Buildings	**- 20 years straight line method**
Office equipment	**- 10 years straight line method**
Computer equipment	**- 3 years straight line method**

Amortization is recorded in the Capital Fund. Amortization at one-half of the above rates is provided in the year of acquisition.

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.

Recent Accounting Pronouncements

In October 2010, the Accounting Standards Board ("AcSB") approved the accounting standards for private sector not-for-profit organizations ("NFPOs") to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- **The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and,**
- **The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.**

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards ("IFRS"). Earlier adoption is permitted. The Organization has adopted Part III of the Handbook as its new financial reporting standards. The Organization has also determined that there was no impact as a result of the adoption of Part III of the Handbook on its financial statements.

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

2. Significant Accounting Policies - Continued

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, acquired primarily through donations that are based on public stock exchange transactions in an active market, which 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.

(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.

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31 2012

2. Significant Accounting Policies - Continued

Financial Assets and Financial Liabilities – Continued

(ii) Impairment - Continued

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.

(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.

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.

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.

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. Investments

Short-term investments which have been included in the cash position at year end consist of the following holdings:

	Financial Institute	Maturity Date	Rate of Return	Fair Value $
Investment certificates	Bank of Montreal	May 6, 2013	1.00%	454,290
Investment certificate	Bank of Montreal	Cashable	0.75%	59,755
				514,045

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

	Financial Institute	Maturity Date	Rate of Return	Fair Value $
Fixed income bonds	Scotia Bank	various	3.15-5.05%	323,500
Equity investments	Scotia Bank	n/a	n/a	191,057
				514,557

4. Capital Assets

	Cost $	Accumulated Amortization $	Net Book 2012 $	Net Book 2011 $
Office equipment	1,594	1,594	-	239
Computer equipment	1,937	1,937	-	-
	3,531	3,531	-	239

5. Mortgage Payable

The mortgage payable, secured by the building at 505 Parkside Drive, Toronto and due September 1, 2012 carried an interest rate of 3.05% per annum. Until discharged, it was repayable at the rate of $1,583 monthly including principal and interest. The mortgage was discharged from the proceeds realized on the disposition of the property during the 2011 year end.

PELLETIER YOUTH IN TRANSITION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

6. Fundraising

Gross receipts received from bingo, Nevada and fundraising events amounted to $29,925 (2011 - $32,675) with the associated expenses incurred amounting to $10,530 (2011 - $10,650).

7. 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 $57,394.

8. Investment Income and Expense

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

	2012 $	2011 $
Interest income earned	10,990	8,379
Interest expense paid	-	-

9. 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, 2012

11. Risk

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, 2011, the Organization held interest bearing investments in the form of cashable guaranteed investment certificates 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, the bulk of these investments are due on demand which does not preclude management from cashing in the investments and reinvesting at a more favourable rate, therefore minimizing the exposure to interest rate risk on these investment vehicles.

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.