

**LIBERTY FOR YOUTH**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Liberty for Youth

### *Qualified Opinion*

We have audited the financial statements of Liberty for Youth (the "organization") , which comprise the as at March 31, 2021, and the statement of revenues and expenses, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the organization 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 the organization. Therefore, we were unable to determine whether any adjustments might be necessary to fundraising or donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and March 31, 2020, current assets and fund balances as at March 31, 2021 and March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT, continued

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*DBK Accounting Professional Corporation*

**DBK Accounting Professional Corporation**  
Authorized to practice public accounting by the Chartered  
Professional Accountants of Ontario

Hamilton, Ontario  
June 26, 2021

# LIBERTY FOR YOUTH

## BALANCE SHEET AS AT MARCH 31, 2021

|  | General Fund<br>2021 | Capital Fund<br>2021 | DOJ Fund<br>2021 | March 31<br>2021    | March 31<br>2020    |
|--|----------------------|----------------------|------------------|---------------------|---------------------|
| <b>ASSETS</b>                              |                      |                      |                  |                     |                     |
| <b>CURRENT ASSETS</b>                      |                      |                      |                  |                     |                     |
| Cash                                       | \$ 40,554            | \$ -                 | \$ -             | \$ 40,554           | \$ 101,194          |
| Accounts receivable                        | -                    | -                    | 263              | 263                 | 16,746              |
| Government sales taxes recoverable         | 22,460               | 9,323                | 3,488            | 35,271              | 25,587              |
| Government remittances payable             | -                    | 4,149                | -                | 4,149               | -                   |
| Prepaid expenses                           | -                    | -                    | -                | -                   | 1,102               |
| Short term investment                      | -                    | -                    | -                | -                   | 50,238              |
| Interfund balances (Note 3)                | 651,026              | (646,015)            | (5,011)          | -                   | -                   |
|  | 714,040              | (632,543)            | (1,260)          | 80,237              | 194,867             |
| <b>CAPITAL ASSETS (Note 4)</b>             | -                    | 2,172,472            | 1,260            | 2,173,732           | 1,590,876           |
|  | <b>\$ 714,040</b>    | <b>\$ 1,539,929</b>  | <b>\$ -</b>      | <b>\$ 2,253,969</b> | <b>\$ 1,785,743</b> |
| <b>LIABILITIES</b>                         |                      |                      |                  |                     |                     |
| <b>CURRENT LIABILITIES</b>                 |                      |                      |                  |                     |                     |
| Accounts payable and accrued liabilities   | \$ 26,103            | \$ -                 | \$ -             | \$ 26,103           | \$ 24,446           |
| Government remittances payable             | 9,320                | -                    | -                | 9,320               | 8,127               |
| Deferred revenue                           | 98,554               | 1,840                | -                | 100,394             | 126,266             |
| Current portion of long-term debt (Note 5) | -                    | 1,142,388            | -                | 1,142,388           | 19,438              |
|  | 133,977              | 1,144,228            | -                | 1,278,205           | 178,277             |
| <b>LONG-TERM DEBT (Note 5)</b>             | -                    | 185,607              | -                | 185,607             | 828,131             |
|  | 133,977              | 1,329,835            | -                | 1,463,812           | 1,006,408           |
| <b>FUND BALANCES</b>                       |                      |                      |                  |                     |                     |
| <b>BALANCE</b>                             | 580,063              | 210,094              | -                | 790,157             | 779,335             |
|  | <b>\$ 714,040</b>    | <b>\$ 1,539,929</b>  | <b>\$ -</b>      | <b>\$ 2,253,969</b> | <b>\$ 1,785,743</b> |

Approved on behalf of the board

Director, \_\_\_\_\_

Director,  \_\_\_\_\_

## LIBERTY FOR YOUTH

### STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED MARCH 31, 2021

|   | General Fund<br>2021 | Capital Fund<br>2021 | DOJ Fund<br>2021   | March 31<br>2021 | March 31<br>2020 |
|---|----------------------|----------------------|--------------------|------------------|------------------|
| <b>REVENUE</b>  |                      |                      |                    |                  |                  |
| Donations from individuals and corporations                       | \$ 211,179           | \$ -                 | \$ -               | \$ 211,179       | \$ 184,667       |
| Fundraising income  | 98,093               | -                    | -                  | 98,093           | 247,912          |
| Grants from other than government                                 | 61,830               | -                    | -                  | 61,830           | 74,869           |
| HCF - emergency community support                                 | 49,923               | -                    | -                  | 49,923           | -                |
| Rental income   | 21,953               | 19,290               | -                  | 41,243           | 47,561           |
| Gifts in kind   | 28,927               | -                    | -                  | 28,927           | 46,604           |
| United Way - pandemic funding                                     | 25,000               | -                    | -                  | 25,000           | -                |
| HCF - pandemic funding  | 19,890               | -                    | -                  | 19,890           | -                |
| Donations from churches and other charities                       | 13,500               | -                    | -                  | 13,500           | 13,411           |
| Federal grants  | 11,200               | -                    | -                  | 11,200           | 176,017          |
| Book sales  | 3,838                | -                    | -                  | 3,838            | 13,780           |
| Interest income and other   | 529                  | -                    | -                  | 529              | 968              |
|   | <u>545,862</u>       | <u>19,290</u>        | <u>-</u>           | <u>565,152</u>   | <u>805,789</u>   |
| <b>EXPENSES</b>   |                      |                      |                    |                  |                  |
| Advertising and promotion   | 3,378                | -                    | -                  | 3,378            | 1,275            |
| Amortization  | -                    | 50,005               | 1,667              | 51,672           | 33,540           |
| Bank charges and interest   | 6,470                | -                    | 15                 | 6,485            | 11,779           |
| Building repairs and maintenance                                  | 33,085               | -                    | -                  | 33,085           | 27,153           |
| HCF - emergency community support                                 | 49,922               | -                    | -                  | 49,922           | -                |
| Fundraising expenses  | 13,345               | -                    | -                  | 13,345           | 78,747           |
| Grants to other charities   | 5,431                | -                    | -                  | 5,431            | 7,359            |
| Insurance   | 6,160                | -                    | -                  | 6,160            | 6,664            |
| Interest on long-term debt  | -                    | 71,032               | -                  | 71,032           | 42,026           |
| Office and administration   | 18,153               | -                    | 279                | 18,432           | 35,193           |
| HCF - pandemic expenses   | 19,890               | -                    | -                  | 19,890           | -                |
| Professional fees   | 15,882               | -                    | 200                | 16,082           | 22,013           |
| Program expenses  | 26,668               | -                    | 35                 | 26,703           | 42,337           |
| Property taxes  | 12,403               | -                    | -                  | 12,403           | 15,546           |
| Rent  | -                    | -                    | -                  | -                | 6,876            |
| Salaries and benefits   | 313,802              | -                    | 9,343              | 323,145          | 397,287          |
| Support to youth  | 10,215               | -                    | -                  | 10,215           | 42,781           |
| United Way - pandemic expenses                                    | 25,802               | -                    | -                  | 25,802           | -                |
| Utilities   | 12,461               | -                    | -                  | 12,461           | 18,222           |
| Vehicle expenses  | 16,005               | -                    | -                  | 16,005           | 16,472           |
|   | <u>589,072</u>       | <u>121,037</u>       | <u>11,539</u>      | <u>721,648</u>   | <u>805,270</u>   |
| Excess (deficiency) of revenues over expenses before other income | <u>(43,210)</u>      | <u>(101,747)</u>     | <u>(11,539)</u>    | <u>(156,496)</u> | <u>519</u>       |
| <b>OTHER INCOME</b>   |                      |                      |                    |                  |                  |
| Gain on sale of capital assets                                    | -                    | (35,030)             | -                  | (35,030)         | (5,077)          |
| Government assistance   | (132,288)            | -                    | -                  | (132,288)        | -                |
|   | <u>(132,288)</u>     | <u>(35,030)</u>      | <u>-</u>           | <u>(167,318)</u> | <u>(5,077)</u>   |
| Excess (deficiency) of revenues over expenses                     | <u>\$ 89,078</u>     | <u>\$ (66,717)</u>   | <u>\$ (11,539)</u> | <u>\$ 10,822</u> | <u>\$ 5,596</u>  |

## LIBERTY FOR YOUTH

### STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2021

|   | General Fund<br>2021 | Capital Fund<br>2021 | DOJ Fund<br>2021 | March 31<br>2021 | March 31<br>2020 |
|---|----------------------|----------------------|------------------|------------------|------------------|
| BALANCE, BEGINNING OF YEAR                    | \$ 459,347           | \$ 276,811           | \$ 43,177        | \$ 779,335       | \$ 773,739       |
| Excess (deficiency) of revenues over expenses | 89,078               | (66,717)             | (11,539)         | 10,822           | 5,596            |
| Fund transfers                                | 31,638               | -                    | (31,638)         | -                | -                |
| BALANCE, ENDING OF YEAR                       | \$ 580,063           | \$ 210,094           | \$ -             | \$ 790,157       | \$ 779,335       |

## LIBERTY FOR YOUTH

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

|   | 2021        | 2020       |
|---|-------------|------------|
| <b>OPERATING ACTIVITIES</b>                   |             |            |
| Excess (deficiency) of revenues over expenses | \$ 10,822   | \$ 5,596   |
| Adjustments for                               |             |            |
| Amortization                                  | 51,672      | 33,540     |
| Gain on sale of capital assets                | (35,030)    | (5,077)    |
|   | 27,464      | 34,059     |
| Change in non-cash working capital items      |             |            |
| Accounts receivable                           | 16,483      | (235)      |
| Prepaid expenses                              | 1,102       | 455        |
| Inventory                                     | -           | 14,475     |
| Short term investment                         | 50,238      | (168)      |
| Accounts payable and accrued liabilities      | 1,658       | 4,338      |
| Government sales tax recoverable              | (9,684)     | 5,566      |
| Government remittances payable                | (2,956)     | 1,395      |
| Deferred revenue                              | (25,872)    | 74,482     |
|   | 58,433      | 134,367    |
| <b>INVESTING ACTIVITIES</b>                   |             |            |
| Purchase of capital assets                    | (1,745,933) | (20,087)   |
| Proceeds on disposal of capital assets        | 1,161,055   | 8,500      |
|   | (526,445)   | 122,780    |
| <b>FINANCING ACTIVITIES</b>                   |             |            |
| Repayment of long-term debt                   | (690,195)   | (18,510)   |
| Advance of long term debt                     | 1,156,000   | -          |
|   | 465,805     | (18,510)   |
| Increase (decrease) in cash                   | (60,640)    | 104,270    |
| Cash (bank indebtedness), beginning of year   | 101,194     | (3,076)    |
| Cash, end of year                             | \$ 40,554   | \$ 101,194 |

# LIBERTY FOR YOUTH

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2021

### 1. PURPOSE OF THE ORGANIZATION

The organization was founded in 2003 and was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on April 28, 2003. Under an application for supplementary letters patent dated December 8, 2006, the name was changed from Liberty Community Youth Centre to Liberty For Youth. The corporation is a registered charity and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

Its current activities include encouraging youth to become better citizens, eliminating racial prejudice and discrimination through workshops and seminars and educating youth on the dangers of drugs, violence and other destructive behaviour.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### (a) FUND ACCOUNTING

All revenues, expenses, assets and liabilities relating to the day to day operations of the organization are reported in the organization's general fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets.

The DOJ Fund (Department of Justice) reports the assets, liabilities, revenues and expenses related to the 3D Project as defined by the grant agreement between the organization and the Department of Justice.

#### (b) REVENUE RECOGNITION

Restricted donations and grants related to the Capital Fund or the DOJ Fund are recognized as revenue in the year in which they are received or receivable in the respective fund.

All other restricted funds are recognized as revenue in the General Fund in the year in which the related expenses are incurred.

Unrestricted donations, grants and government assistance are recognized as revenue in the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising income and rental revenue is recognized as revenue in the year in which the event or service takes place.

#### (c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

#### (d) INVENTORY

Inventory, consisting of books, is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.



# LIBERTY FOR YOUTH

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### (e) CAPITAL ASSETS

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is provided on capital assets using the diminishing balance method over the useful life of the assets at the following annual rates:

|                         |                   |     |
|-------------------------|-------------------|-----|
| Buildings               | Declining balance | 4%  |
| Vehicles                | Declining balance | 30% |
| Furniture and equipment | Declining balance | 20% |
| Computer equipment      | Declining balance | 55% |
| Production equipment    | Declining balance | 45% |
| Livestock               | Declining balance | 14% |

#### (f) 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 revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are amortization of capital assets and the amount of deferred revenue.

#### (g) 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. Financial assets measured at amortized cost include cash, short-term investments, government sales tax recoverable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

#### (h) CONTRIBUTED SERVICES

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

## LIBERTY FOR YOUTH

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2021

#### 3. INTERFUND BALANCES

The interfund loans between the General Fund, Restricted Fund and DOJ Fund are non-interest bearing and have no specific terms of repayment.

#### 4. CAPITAL ASSETS

|                         | 2021<br>Cost        | 2021<br>Accumulated<br>amortization | 2021<br>Net         | 2020<br>Net         |
|-------------------------|---------------------|-------------------------------------|---------------------|---------------------|
| Land                    | \$ 598,400          | \$ -                                | \$ 598,400          | \$ 1,078,400        |
| Buildings               | 1,662,336           | 129,048                             | 1,533,288           | 473,596             |
| Vehicles                | 53,834              | 36,485                              | 17,349              | 24,785              |
| Furniture and equipment | 24,711              | 16,576                              | 8,135               | 7,828               |
| Computer equipment      | 26,313              | 23,714                              | 2,599               | 3,793               |
| Production equipment    | 10,553              | 9,193                               | 1,360               | 2,474               |
| Livestock               | 13,550              | 949                                 | 12,601              | -                   |
|                         | <u>\$ 2,389,697</u> | <u>\$ 215,965</u>                   | <u>\$ 2,173,732</u> | <u>\$ 1,590,876</u> |

#### 5. LONG-TERM DEBT

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| RBC mortgage, 2.35%, payable in blended monthly payments of \$5,093, due Dec 1, 2021, secured by land and buildings (net book value - \$1,551,996) | \$ 1,142,388      | \$ 657,548        |
| RBC loan, 4.9%, payable in blended monthly payments of \$1,136, due September 2044, secured by land and buildings (net book value - \$1,551,996)   | 185,607           | 190,021           |
|  | <u>1,327,995</u>  | <u>847,569</u>    |
| Less current portion   | 1,142,388         | 19,438            |
| Due beyond one year  | <u>\$ 185,607</u> | <u>\$ 828,131</u> |

Estimated principal re-payments are as follows:

|            |                     |
|------------|---------------------|
| 2022       | \$ 1,146,802        |
| 2023       | 4,635               |
| 2024       | 4,867               |
| 2025       | 5,111               |
| 2026       | 5,368               |
|            | <u>1,166,783</u>    |
| Subsequent | 161,212             |
|            | <u>\$ 1,327,995</u> |

# LIBERTY FOR YOUTH

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2021

### 6. RELATED PARTY TRANSACTIONS

The organization received rental income of \$16,200 (2020 - \$16,000) from the Executive Director.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

### 7. SUBSEQUENT EVENTS

Subsequent to the year end, the COVID-19 pandemic has had a significant impact on the overall economy and many organizations.

The organization continues to function as staff have the ability to work from home, no employees have been laid off. All the fundraising events have been converted to virtual events. It is expected that there will be a decrease in fundraising, but the extent is not known at this time.

In addition, the organization has applied for and has begun to receive emergency funding from the Federal government in the form of the Canada Emergency Wage Subsidy, which provides up to 75% of employee wages.

Management believes that the assistance from the government and a focused effort on reducing costs where possible will allow the organization to persevere through the pandemic.

### 8. FINANCIAL INSTRUMENTS

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

#### (a) INTEREST RATE RISK

The organization manages its exposure to interest rate risk through fixed rate borrowings.

#### (b) CREDIT RISK

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. However, the organization has a significant number of customers which minimizes concentration of credit risk.

#### (c) LIQUIDITY RISK

Liquidity risk arises through having excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by attempting to maintain sufficient cash and cash equivalents.