

**INDEPENDENT AUDITOR'S REPORT**

To the Members of **STEPSTONES FOR YOUTH**

**Opinion**

We have audited the financial statements of **STEPSTONES FOR YOUTH** (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Basis for Opinion**

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 opinion.

**Other Matter**

The financial statements of the Organization for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on June 9, 2019.

**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 Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

### **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:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to 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.
- (ii) 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.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) 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, and if such disclosures are inadequate, 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.
- (v) 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.
- (vi) 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 the auditor identifies during our audit.

*Chapman Madden Walton Winter LLP*

Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
September 23, 2020


# STEPSTONES FOR YOUTH

## STATEMENT OF FINANCIAL POSITION

	December 31	
	<u>2019</u>	<u>2018</u>
		(note 11)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 454,645	\$ 470,646
Term deposits - note 2	300,000	-
H.S.T. recoverable	11,628	5,348
Prepaid and sundry receivable	<u>7,141</u>	<u>3,683</u>
	<u>773,414</u>	<u>479,677</u>
<b>LIABILITIES</b>		
Accounts payable and accrued	\$ 17,898	\$ 13,960
Government remittances	<u>3,879</u>	<u>3,765</u>
	<u>21,777</u>	<u>17,725</u>
<b>NET ASSETS</b>	<u>\$ 751,637</u>	<u>\$ 461,952</u>

Approved on behalf of the Board

 Director

 Director

The accompanying notes are an integral part of these financial statements

# STEPSTONES FOR YOUTH

## STATEMENT OF OPERATIONS AND NET ASSETS

	Year ended December 31	
	<u>2019</u>	<u>2018</u>
		(note 11)
<b>REVENUE</b>		
Donations	\$ 496,627	\$ 332,494
Grants - note 4	467,608	361,603
Fundraising	63,958	71,001
Other	<u>10,244</u>	<u>8,682</u>
	<u>1,038,437</u>	<u>773,780</u>
<b>EXPENDITURES</b>		
Direct program - note 5	620,661	502,827
Administrative and indirect program - note 6	92,713	58,564
Direct fundraising	<u>35,378</u>	<u>23,763</u>
	<u>748,752</u>	<u>585,154</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	289,685	188,626
Opening net assets	<u>461,952</u>	<u>273,326</u>
<b>CLOSING NET ASSETS</b>	<u>\$ 751,637</u>	<u>\$ 461,952</u>
Internally restricted net assets - note 7	\$ 400,000	\$ -
Unrestricted net assets	<u>351,637</u>	<u>461,952</u>
	<u>\$ 751,637</u>	<u>\$ 461,952</u>

The accompanying notes are an integral part of these financial statements



**STEPSTONES FOR YOUTH**  
**STATEMENT OF CASH FLOWS**

	Year ended December 31	
	<u>2019</u>	<u>2018</u>
		(note 11)
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 289,685	\$ 188,626
H.S.T. recoverable	(6,280)	(2,246)
Prepaid and sundry receivable	(3,458)	39,510
Accounts payable and accrued liabilities	3,938	1,269
Government remittances	114	2,931
Unearned revenue	<u>-</u>	<u>(3,000)</u>
	283,999	227,090
<b>INVESTING ACTIVITIES</b>		
Term deposits	<u>(300,000)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(16,001)	227,090
Cash and cash equivalents at beginning of year	<u>470,646</u>	<u>243,556</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 454,645</u>	<u>\$ 470,646</u>

The accompanying notes are an integral part of these financial statements

**STEPSTONES FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**Nature of Operations**

**Organization**

StepStones for Youth (the "Organization") was founded in 2004 and registered as a Canadian charitable organization on October 3, 2004. It was incorporated without share capital on June 24, 2005 under the Corporations Act (Ontario).

**Mission**

StepStones for Youth helps unlock the potential of vulnerable children and youth who have experienced trauma and abuse and are living in poverty, many of whom are from foster care and the child welfare system. The Organization's prevention and intervention services result in educational success, secure employment, safe and stable housing, positive connections, and long-lasting support networks which reduce isolation, homelessness, criminal involvement, adverse physical and mental health, and long-term dependency on social services.

**1. Significant accounting policies**

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include an assumption that the Organization will continue in the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations. Significant accounting policies are as follows:

**(a) Use of estimates**

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas where management applies judgement are revenue recognition and asset valuation. Actual results could differ from those estimates.

**(b) Cash and cash equivalents**

Cash and cash equivalents are defined as cash and term deposits with terms to maturity of less than three months.

## STEPSTONES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

#### 1. Significant accounting policies (continued)

##### (c) Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include: donations, grants and other revenue from fundraising activities. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized.

Contributions of materials used in the normal course of operations that would otherwise have been purchased are recognized in the period in which they are donated at their fair market value where a fair value can be reasonably estimated.

The work of the Organization is dependent on voluntary services. Since these services are not normally purchased by the Organization and because of the difficulty of determining the fair value of contributed services, the value of donated volunteer services is not recognized in these financial statements.

Interest income is recorded using the accrual method.

##### (d) Financial instruments

###### (i) Measurements of financial instruments

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits and interest receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

###### (ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations in the period incurred. Any previously recognized impairment loss may be reversed to the extent of the impairment, directly or by adjusting the allowance account, provided the improvement is no greater than any impairment recognized previously. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

# STEPSTONES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 1. Significant accounting policies (continued)

#### (e) Income taxes

The Organization is registered as a charitable organization under the Income Tax Act ("the Act") and as such is exempt from income taxes and can issue donation receipts for income tax purposes. To maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 2. Term deposits

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 100,000	\$ -
Other	<u>300,000</u>	<u>-</u>
	<u>\$ 400,000</u>	<u>\$ -</u>

The term deposits earn interest at rates from 1.87% to 2.10% per annum, with an average of 2.04% and mature in 2020.

### 3. Bank indebtedness

The Organization has a \$15,000 unsecured operating line of credit from the Royal Bank of Canada which bears interest at bank prime plus 2.10% per annum.

### 4. Grants

	<u>2019</u>	<u>2018</u> (note 11)
Pelletier Youth in Transition - note 8	\$ 249,408	\$ 200,000
Government	101,200	64,950
United Way	100,000	75,000
Other	<u>17,000</u>	<u>21,653</u>
	<u>\$ 467,608</u>	<u>\$ 361,603</u>



# STEPSTONES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 5. Direct program expenditures

	<u>2019</u>	<u>2018</u> (note 11)
Employee wages	\$ 348,199	\$ 273,790
Employee benefits	44,626	25,888
Insurance	3,693	3,780
Program	80,143	64,369
Arrabon program – note 9	<u>144,000</u>	<u>135,000</u>
	<u>\$ 620,661</u>	<u>\$ 502,827</u>
Mentoring	\$ 585,035	\$ 453,100
Camp	<u>35,626</u>	<u>49,727</u>
	<u>\$ 620,661</u>	<u>\$ 502,827</u>

### 6. Administrative and indirect program expenditures

	<u>2019</u>	<u>2018</u> (note 11)
Wages and benefits	\$ 54,079	\$ 29,550
Insurance	1,307	1,233
Office, training and general	17,212	12,216
Communications	3,016	2,120
Professional fees and consulting	<u>17,099</u>	<u>13,445</u>
	<u>\$ 92,713</u>	<u>\$ 58,564</u>

### 7. Internally restricted net assets

Management has established an internal operating reserve to provide continued funding of operations and ensure financial stability. Expenditures from these internally restricted net assets require the Board of Directors' approval.

## STEPSTONES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

#### 8. Related party transactions

The Organization has significant influence over Pelletier Youth in Transition ("Pelletier") by virtue of a substantially common Board of Directors. Pelletier has a similar mission and goals, helping at-risk youth, ages 16 - 24 years, make a successful progression towards independence. It is registered as a charitable organization under the Income Tax Act and was incorporated without share capital under the Corporations Act (Ontario).

Related party transactions occur in the normal course of operation and are measured at the exchange amounts, which is the consideration established and agreed to by the related parties. Donations received from Pelletier were \$249,408 (2018 - \$200,000).

In fiscal 2018, the Organization and Pelletier entered into a funding agreement whereby Pelletier committed to contributing to the Organization \$200,000 annually for fiscal years 2018 to 2020, inclusive. In addition, Pelletier has agreed to match the Organization's donation revenue, under certain conditions, to a maximum value of \$50,000 annually.

#### 9. Commitments

The organization has committed to fund a joint Youth Clinical Support Services Program with Arrabon Inc. to assist youth in transition. Future funding commitments are:

2020	\$ 147,000
2021	<u>36,750</u>
	<u>\$ 183,750</u>

#### 10. Financial instruments

The Organization is exposed to various risks through its financial instruments. These risks include:

##### Interest risk

The Organization is subject to interest rate risk from bank indebtedness and maturing cash equivalents and term deposits bearing interest at variable rates.

# STEPSTONES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 11. Reclassification of financial statements

For comparative purposes, certain 2018 accounts are reclassified to conform with classifications adopted in 2019.

### 12. Subsequent event

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic and the Ontario government issued an emergency order restricting non-essential business operations.

Management is uncertain of the effects of these changes on its financial statements and believes that any impact will be temporary. There is uncertainty as to the length and potential impact of the restrictions.

As a result, management is unable to estimate the potential impact on the company's operations as at the date of these financial statements.