

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, 2020, 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, 2020, 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.

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 Matter Welton Winter LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 29, 2021

STEPSTONES FOR YOUTH

STATEMENT OF FINANCIAL POSITION

	December 31	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 707,097	\$ 454,645
Term deposits - note 2	405,000	300,000
H.S.T. recoverable	8,854	11,628
Prepaid and sundry receivable	<u>2,191</u>	<u>7,141</u>
	<u>1,123,142</u>	<u>773,414</u>
 LIABILITIES		
Current		
Accounts payable and accrued	\$ 38,844	\$ 17,898
Government assistance	16,263	-
Government remittances	1,150	3,879
Deferred contributions - note 4	<u>129,449</u>	<u> </u>
	<u>185,706</u>	<u>21,777</u>
 NET ASSETS	 <u>\$ 937,436</u>	 <u>\$ 751,637</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>2020</u>	<u>2019</u>
REVENUE		
Donations	\$ 583,011	\$ 496,627
Grants - note 5	306,841	467,608
Government assistance - note 11	183,091	-
Fundraising	256	63,958
Other	<u>4,841</u>	<u>10,244</u>
	<u>1,078,040</u>	<u>1,038,437</u>
EXPENDITURES		
Direct program - note 6	734,361	620,661
Administrative and indirect program - note 7	99,382	92,713
Direct fundraising	<u>58,498</u>	<u>35,378</u>
	<u>892,241</u>	<u>748,752</u>
EXCESS OF REVENUE OVER EXPENDITURES	185,799	289,685
Opening net assets	<u>751,637</u>	<u>461,952</u>
CLOSING NET ASSETS	<u>\$ 937,436</u>	<u>\$ 751,637</u>
Internally restricted net assets - note 8	\$ 400,000	\$ 400,000
Unrestricted net assets	<u>537,436</u>	<u>351,637</u>
	<u>\$ 937,436</u>	<u>\$ 751,637</u>

The accompanying notes are an integral part of these financial statements

STEPSTONES FOR YOUTH
STATEMENT OF CASH FLOWS

Year ended December 31
2020 2019

CASH PROVIDED BY (USED FOR)

OPERATING ACTIVITIES

Excess of revenue over expenditures	\$ 185,799	\$ 289,685
H.S.T. recoverable	2,774	(6,280)
Prepaid and sundry receivable	4,950	(3,458)
Accounts payable and accrued liabilities	20,946	3,938
Government assistance payable	16,263	-
Government remittances	(2,729)	114
Deferred contributions	<u>129,449</u>	<u>-</u>
	357,452	283,999

INVESTING ACTIVITIES

Term deposits	<u>(105,000)</u>	<u>(300,000)</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

252,452 (16,001)

Cash and cash equivalents at beginning of year

454,645 470,646

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 707,097 \$ 454,645

The accompanying notes are an integral part of these financial statements

STEPSTONES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 ("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.

COVID-19

The COVID-19 pandemic developed rapidly in 2020. Measures taken by the Canadian and Ontario governments to manage the health impacts of the COVID-19 virus has required the Organization to develop and introduce new health and safety measures to keep its employees, volunteers, community members and youth safe.

To prevent the spread of COVID-19, the Organization follows the requirements under the Occupational Health and Safety Act and associated regulations and public health directives issued by the Chief Medical Officer of Health.

The Organization is participating in available government assistance programs

The COVID-19 pandemic has not had a significant financial impact on the Organization to date. The impact on future operations and the duration thereof is unknown. The Board of Directors has determined that there is no material uncertainty that casts doubt on the organization's ability to continue as a going concern.

STEPSTONES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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.

(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) Government assistance

Government assistance is recorded as revenue when the amount is determinable and collection is reasonably assured.

STEPSTONES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Significant accounting policies (continued)

(e) 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, accrued liabilities, government assistance and deferred contributions payable.

(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.

(f) 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.

STEPSTONES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. Term deposits

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 101,870	\$ 100,000
Other	<u>405,000</u>	<u>300,000</u>
	<u>\$ 506,870</u>	<u>\$ 400,000</u>

The term deposits earn interest at rates from 0.45% to 0.50% per annum, with an average of 0.46% and mature in 2021.

3. Credit facility

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. Deferred contributions

	<u>2020</u>	<u>2019</u>
Donations - Growing Forward Project	\$ 100,757	\$ -
Grants - Children's Aid Foundation	<u>28,692</u>	<u>-</u>
	<u>\$ 129,449</u>	<u>\$ -</u>

5. Grants revenue

	<u>2020</u>	<u>2019</u>
Pelletier Youth in Transition	\$ -	\$ 249,408
Government	101,200	101,200
United Way	100,000	100,000
Children's Aid Foundation	80,641	15,000
Other	<u>25,000</u>	<u>2,000</u>
	<u>\$ 306,841</u>	<u>\$ 467,608</u>

STEPSTONES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Direct program expenditures

	<u>2020</u>	<u>2019</u>
Employee wages	\$ 466,398	\$ 348,199
Employee benefits	58,509	44,626
Insurance	4,223	3,693
Program	84,814	80,143
Arrabon program	<u>120,417</u>	<u>144,000</u>
	<u>\$ 734,361</u>	<u>\$ 620,661</u>
Mentoring	\$ 717,675	\$ 585,035
Camp	<u>16,686</u>	<u>35,626</u>
	<u>\$ 734,361</u>	<u>\$ 620,661</u>

7. Administrative and indirect program expenditures

	<u>2020</u>	<u>2019</u>
Wages and benefits	\$ 39,352	\$ 54,079
Insurance	1,480	1,307
Office, training and general	13,837	17,212
Communications	2,124	3,016
Professional fees and consulting	<u>42,589</u>	<u>17,099</u>
	<u>\$ 99,382</u>	<u>\$ 92,713</u>

8. 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, 2020

9. Related party transactions

The Organization previously had significant influence over Pelletier Youth in Transition ("Pelletier") by virtue of a substantially common Board of Directors. As of March 24, 2021, the number of common Board members no longer constitutes a majority of each Board. Therefore, the Organization no longer has significant influence over Pelletier. 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 nil (2019 - \$249,408).

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 maturing cash equivalents and term deposits and its credit facility bearing interest at variable rates.

11. Government assistance

The Organization has recorded \$183,091 in government assistance received through the Temporary Wage Subsidy and Canada Emergency Wage Subsidy Programs.