

Financial Statements of
ROSSBROOK HOUSE INC.
March 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of Rossbrook House Inc.

We have audited the accompanying financial statements of Rossbrook House Inc., which comprise the balance sheet as at March 31, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Rossbrook House Inc. derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Rossbrook House Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, net assets, and cash flows from operations for the year ended March 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Rossbrook House Inc. as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants

June 23, 2015
Winnipeg, Manitoba

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ROSSBROOK HOUSE INC.


Balance Sheet

March 31, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT		
Cash and term deposits	\$ 314,082	\$ 291,835
Accounts receivable	3,587	6,017
Grants receivable	9,400	84,576
Due from Rossbrook House Foundation Inc.	303	3,114
Prepaid expenses	5,357	5,823
	<u>332,729</u>	<u>391,365</u>
FIXED ASSETS (Note 3)	697,923	757,137
	<u>\$ 1,030,652</u>	<u>\$ 1,148,502</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 89,181	\$ 95,822
Deferred contributions - operating (Note 4)	6,260	16,205
	<u>95,441</u>	<u>112,027</u>
DEFERRED CONTRIBUTIONS FIXED ASSETS (Note 5)	743,342	778,334
	<u>838,783</u>	<u>890,361</u>
NET ASSETS		
Unrestricted	191,869	258,141
	<u>\$ 1,030,652</u>	<u>\$ 1,148,502</u>

APPROVED BY THE BOARD

.....
 Director

.....
 Director

ROSSBROOK HOUSE INC.**Statement of Operations and Changes in Net Assets**

Year Ended March 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUE		
Grants (Note 7)	\$ 856,829	\$ 958,630
Donations from foundations and service organizations	290,113	351,707
Private donations	379,763	403,585
Interest and other income	2,702	20,279
Gain on disposal of fixed assets	8,272	-
Amortization of deferred contributions (Note 5)	88,218	85,455
	<u>1,625,897</u>	<u>1,819,656</u>
EXPENSES		
638 Ross Avenue		
Operating expenses - Schedule	1,564,015	1,604,272
Amortization	79,704	61,049
429 Elgin Avenue - operating expenses (Note 8)	39,067	41,031
	<u>1,682,786</u>	<u>1,706,352</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	(56,889)	113,304
TRANSFER OF DESIGNATED GIFTS TO ROSSBROOK HOUSE FOUNDATION INC. (Note 6)	(9,383)	(261,168)
DEFICIENCY OF REVENUE OVER EXPENSES	(66,272)	(147,864)
NET ASSETS, BEGINNING OF YEAR	258,141	406,005
NET ASSETS, END OF YEAR	<u>\$ 191,869</u>	<u>\$ 258,141</u>

ROSSBROOK HOUSE INC.
Statement of Cash Flows
Year Ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Deficiency of revenue over expenses from operations	\$ (66,272)	\$ (147,864)
Items not affecting cash:		
Amortization of fixed assets	95,325	76,670
Amortization of deferred contributions - operating	(16,205)	(104,924)
Amortization of deferred contributions - fixed assets	(88,218)	(85,455)
Gain on disposal of fixed assets	(8,272)	-
	(83,642)	(261,573)
Changes in non-cash operating working capital items:		
Accounts receivable	2,430	(468)
Grants receivable	75,176	31,437
Due from Rossbrook House Foundation Inc.	2,811	62,974
Prepaid expenses	466	(1,329)
Accounts payable and accrued liabilities	(6,641)	28,989
	(9,400)	(139,970)
FINANCING ACTIVITIES		
Deferred contributions - operating	6,260	16,205
Deferred contributions - fixed assets	53,226	5,100
	59,486	21,305
INVESTING ACTIVITIES		
Proceeds on disposal of fixed assets	30,172	-
Fixed asset additions	(58,011)	(8,790)
	(27,839)	(8,790)
NET INCREASE (DECREASE) IN CASH POSITION	22,247	(127,455)
CASH POSITION, BEGINNING OF YEAR	291,835	419,290
CASH POSITION, END OF YEAR	\$ 314,082	\$ 291,835

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2015

1. DESCRIPTION OF OPERATIONS

Rossbrook House Inc. ("the Organization") is a not-for-profit organization that operates a neighbourhood centre serving children, adolescents and young adults. The Organization offers a safe and positive diversion from life on the streets. The Organization is a registered charity under the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

b) Fixed assets

Fixed assets are recorded at cost. Amortization is computed using the straight-line method at rates calculated to amortize the cost of the assets less their residual values over their estimated useful lives. Amortization rates are as follows:

Buildings	25 years
Furniture, fixtures and equipment	5 years
Vehicles	5 years
Computer equipment	5 years

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2015

2. ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. 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 shall be reversed in net earnings in the period the reversal occurs.

d) 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the useful life of fixed assets. Actual results could differ from these estimates.

3. FIXED ASSETS

	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2	\$ -	\$ 2	\$ 2
Buildings	1,594,466	974,573	619,893	683,673
Furniture, fixtures and equipment	157,956	131,610	26,346	44,531
Vehicles	202,574	156,168	46,406	21,900
Computer equipment	51,935	46,659	5,276	7,031
	\$2,006,933	\$1,309,010	\$ 697,923	\$ 757,137

The Organization holds title to the property located at 429 Elgin Avenue and the property located at 658 Ross Avenue. Under the terms of the purchase agreements, the Organization may not sell the properties and the properties must be utilized as multi-purpose community based resource residential education and training centres. In the event that they are not used for this purpose the properties revert back to the City of Winnipeg.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2015

4. DEFERRED CONTRIBUTIONS – OPERATING

Deferred contributions - operating relates to restricted operating funding received in the current year that relates to the subsequent year. Changes in deferred contributions are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 16,205	\$ 104,924
Amount recognized as revenue in the year	(16,205)	(104,924)
Amount received related to the following year	6,260	16,205
<u>Balance, end of year</u>	<u>\$ 6,260</u>	<u>\$ 16,205</u>

The amount of deferred contributions - operating recognized as revenue in the current year is included in donations from foundations and service organizations on the statement of operations and changes in net assets.

5. DEFERRED CONTRIBUTIONS – FIXED ASSETS

The amortization of capital contributions is recorded as revenue in the statement of operations and changes in net assets.

Deferred contributions – fixed assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of fixed assets.

Changes for the year in the deferred contributions - fixed assets balance reported are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 778,334	\$ 858,689
Amounts amortized to revenue	(88,218)	(85,455)
Amounts received	53,226	5,100
<u>Balance, end of year</u>	<u>\$ 743,342</u>	<u>\$ 778,334</u>

The balance of deferred contributions – fixed assets consists of the following:

	<u>2015</u>	<u>2014</u>
Unamortized capital contributions	\$ 658,023	\$ 715,302
Unspent contributions	85,319	63,032
<u>Balance, end of year</u>	<u>\$ 743,342</u>	<u>\$ 778,334</u>

6. ROSSBROOK HOUSE FOUNDATION INC.

During the year, the Organization received a gift of \$30,591 (2014 - \$17,139) from Rossbrook House Foundation Inc., and the Board of Directors approved the transfer of designated gifts of \$9,383 (2014 - \$261,168) from the Organization to Rossbrook House Foundation Inc.

ROSSBROOK HOUSE INC.**Operating Expenses****Year Ended March 31, 2015**

	<u>2015</u>	<u>Budget</u> (Note 9) (Unaudited)	<u>2014</u>
Accounting and auditing	\$ 8,956	\$ 9,000	\$ 8,600
Bank charges and interest	1,097	1,800	2,315
Education programs	60,585	114,748	78,416
Equipment purchases and repairs	5,862	3,000	4,338
Food and household supplies	44,813	35,200	39,226
G.S.T.	6,686	8,000	8,137
Garbage removal	5,122	3,600	4,277
Insurance	22,254	20,400	20,660
Miscellaneous	3,800	1,500	9,289
Office supplies and computer	48,579	45,000	37,480
Realty taxes	293	350	293
Storage rent	598	-	-
Repairs and maintenance - building	18,913	15,800	19,766
Rossbrook House program	158,698	195,650	174,974
Transportation	31,479	44,300	29,779
Utilities			
Gas	3,357	3,600	5,273
Electricity	10,466	8,400	10,927
Telephone	5,855	5,400	5,241
Water	1,897	2,400	2,704
Wages, benefits and taxes			
Gross wages	983,235	1,011,400	999,175
Canada Pension Plan	36,540	38,000	37,517
Employment Insurance	22,899	28,000	23,507
Community Agencies Benefits Plan	20,174	24,000	23,072
Community Agencies Retirement Plan	45,683	36,000	45,235
Other benefits	16,174	28,400	14,071
	<u>\$ 1,564,015</u>	<u>\$ 1,683,948</u>	<u>\$ 1,604,272</u>