

Financial Statements of
ROSSBROOK HOUSE INC.

March 31, 2016

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, 2016 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, excess of revenue over expenses, net assets, and cash flows from operations for the year ended March 31, 2016.

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, 2016 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 21, 2016
Winnipeg, Manitoba

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

Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Grants (Note 7)	\$ 910,597	\$ 856,829
Donations from foundations and service organizations	225,080	290,113
Private donations	560,415	379,763
Interest and other income	83,969	2,702
Gain on disposal of fixed assets	-	8,272
Amortization of deferred contributions (Note 5)	83,684	88,218
	<u>1,863,745</u>	<u>1,625,897</u>
EXPENSES		
638 Ross Avenue		
Operating expenses - Schedule	1,584,206	1,564,015
Amortization	87,074	79,704
429 Elgin Avenue - operating expenses (Note 8)	41,136	39,067
	<u>1,712,416</u>	<u>1,682,786</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	151,329	(56,889)
TRANSFER OF DESIGNATED GIFTS TO ROSSBROOK HOUSE FOUNDATION INC. (Note 6)	(123,307)	(9,383)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	28,022	(66,272)
NET ASSETS, BEGINNING OF YEAR	191,869	258,141
NET ASSETS, END OF YEAR	\$ 219,891	\$ 191,869

ROSSBROOK HOUSE INC.**Balance Sheet**

March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and term deposits	\$ 352,787	\$ 314,082
Accounts receivable	4,567	3,587
Grants receivable	1,500	9,400
Due from Rossbrook House Foundation Inc.	328	303
Prepaid expenses	11,535	5,357
	<u>370,717</u>	<u>332,729</u>
FIXED ASSETS (Note 3)	617,220	697,923
	<u>\$ 987,937</u>	<u>\$ 1,030,652</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 97,499	\$ 89,181
Deferred contributions - operating (Note 4)	9,360	6,260
	<u>106,859</u>	<u>95,441</u>
DEFERRED CONTRIBUTIONS FIXED ASSETS (Note 5)	661,187	743,342
	<u>768,046</u>	<u>838,783</u>
NET ASSETS		
Unrestricted	219,891	191,869
	<u>\$ 987,937</u>	<u>\$ 1,030,652</u>

APPROVED BY THE BOARD

Justin Salloway Director
J. Hunter Director

ROSSBROOK HOUSE INC.
Statement of Cash Flows
Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses from operations	\$ 28,022	\$ (66,272)
Items not affecting cash:		
Amortization of fixed assets	102,695	95,325
Amortization of deferred contributions - operating	(6,260)	(16,205)
Amortization of deferred contributions - fixed assets	(83,684)	(88,218)
Gain on disposal of fixed assets	-	(8,272)
	<u>40,773</u>	<u>(83,642)</u>
Changes in non-cash operating working capital items:		
Accounts receivable	(980)	2,430
Grants receivable	7,900	75,176
Due from Rossbrook House Foundation Inc.	(25)	2,811
Prepaid expenses	(6,178)	466
Accounts payable and accrued liabilities	8,318	(6,641)
	<u>49,808</u>	<u>(9,400)</u>
FINANCING ACTIVITIES		
Deferred contributions - operating	9,360	6,260
Deferred contributions - fixed assets	1,529	53,226
	<u>10,889</u>	<u>59,486</u>
INVESTING ACTIVITIES		
Proceeds on disposal of fixed assets	-	30,172
Fixed asset additions	(21,992)	(58,011)
	<u>(21,992)</u>	<u>(27,839)</u>
NET INCREASE IN CASH POSITION	38,705	22,247
CASH POSITION, BEGINNING OF YEAR	314,082	291,835
CASH POSITION, END OF YEAR	\$ 352,787	\$ 314,082

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2016

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, 2016

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

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2	\$ -	\$ 2	\$ 2
Buildings	1,615,900	1,039,208	576,692	619,893
Furniture, fixtures and equipment	158,514	158,067	447	26,346
Vehicles	202,574	166,012	36,562	46,406
Computer equipment	51,935	48,418	3,517	5,276
	\$2,028,925	\$1,411,705	\$ 617,220	\$ 697,923

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, 2016

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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 6,260	\$ 16,205
Amount recognized as revenue in the year	(6,260)	(16,205)
Amount received related to the following year	9,360	6,260
Balance, end of year	<u>\$ 9,360</u>	<u>\$ 6,260</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 743,342	\$ 778,334
Amounts amortized to revenue	(83,684)	(88,218)
Amounts received	1,529	53,226
Balance, end of year	<u>\$ 661,187</u>	<u>\$ 743,342</u>

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

	<u>2016</u>	<u>2015</u>
Unamortized capital contributions	\$ 575,872	\$ 658,023
Unspent contributions	85,315	85,319
Balance, end of year	<u>\$ 661,187</u>	<u>\$ 743,342</u>

6. ROSSBROOK HOUSE FOUNDATION INC.

During the year, the Organization received a gift of \$15,177 (2015 - \$30,591) from Rossbrook House Foundation Inc., and the Board of Directors approved the transfer of designated gifts of \$123,307 (2015 - \$9,383) from the Organization to Rossbrook House Foundation Inc.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2016

7. GRANTS – UNRESTRICTED

	<u>2016</u>	<u>2015</u>
Provincial Government		
Healthy Child Manitoba	\$ 286,000	\$ 286,000
Central Neighbourhoods Development Corporation	2,000	3,000
Department of Education and Training	40,000	40,257
Learning Always	28,100	21,176
Lighthouses	12,000	12,000
Urban Green Team	16,758	19,441
White Sash	5,000	16,000
Miscellaneous	5,500	2,423
City of Winnipeg		
Sustaining Funding	256,339	192,254
United Way of Winnipeg		
Sustaining Funding	258,900	264,278
	<u>\$ 910,597</u>	<u>\$ 856,829</u>

8. 429 ELGIN AVENUE

	<u>2016</u>	<u>2015</u>
Operating expenses	\$ 24,504	\$ 21,132
Property tax	196	169
Insurance	815	2,145
Amortization	15,621	15,621
Total expenses	<u>\$ 41,136</u>	<u>\$ 39,067</u>

The excess of total expenses over any revenue for 429 Elgin Avenue has been funded by a grant from the Department of Education and Training.

9. BUDGET FIGURES

Budget figures are unaudited and have been compiled by the Organization to be presented as additional information in compliance with the Healthy Child Manitoba Office reporting requirements.

10. PENSION PLAN

The employees of Rossbrook House Inc. participate in the Community Agencies Retirement Plan, a multi-employer defined benefit plan. This plan, to which the Organization contributed \$44,023 (2015 - \$45,683), is accounted for as a defined contribution plan.

ROSSBROOK HOUSE INC.
Operating Expenses
Year Ended March 31, 2016

	<u>2016</u>	<u>Budget</u> (Note 9) (Unaudited)	<u>2015</u>
Accounting and auditing	\$ 8,667	\$ 9,000	\$ 8,956
Bank charges and interest	1,873	1,800	1,097
Education programs	45,356	50,800	60,585
Equipment purchases and repairs	2,385	3,000	5,862
Food and household supplies	58,058	55,000	62,432
G.S.T.	7,386	8,000	6,686
Garbage removal	4,843	4,200	5,122
Insurance	12,336	19,800	22,254
Miscellaneous	10,921	2,000	3,800
Office supplies and computer	30,809	32,400	30,960
Realty taxes	339	350	293
Storage rent	1,148	-	598
Repairs and maintenance - building	27,898	19,800	18,913
Rossbrook House program	196,010	184,150	158,698
Transportation	24,563	44,300	31,479
Utilities			
Gas	4,701	3,600	3,357
Electricity	10,169	8,400	10,466
Telephone	6,931	5,400	5,855
Water	3,168	2,400	1,897
Wages, benefits and taxes			
Gross wages	979,989	979,400	983,235
Canada Pension Plan	37,906	36,800	36,540
Employment Insurance	23,824	24,000	22,899
Community Agencies Benefits Plan	25,138	26,000	20,174
Community Agencies Retirement Plan	44,023	45,000	45,683
Other benefits	15,765	30,800	16,174
	<u>\$ 1,584,206</u>	<u>\$ 1,596,400</u>	<u>\$ 1,564,015</u>