

*Financial Statements of*

**ROSSBROOK HOUSE INC.**

*March 31, 2017*

## 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, 2017 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, 2017.

### 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, 2017 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 Professional Accountants

June 20, 2017  
Winnipeg, Manitoba

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

Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Grants (Note 7)	\$ 931,291	\$ 910,597
Donations from foundations and service organizations	365,735	225,080
Private donations	530,782	560,415
Interest and other income	7,828	83,969
Amortization of deferred contributions (Note 5)	72,658	83,684
	<u>1,908,294</u>	<u>1,863,745</u>
EXPENSES		
658 Ross Avenue		
Operating expenses - Schedule	1,669,599	1,584,206
Amortization	100,746	87,074
429 Elgin Avenue - operating expenses (Note 8)	40,871	41,136
	<u>1,811,216</u>	<u>1,712,416</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	97,078	151,329
TRANSFER OF DESIGNATED GIFTS TO ROSSBROOK HOUSE FOUNDATION INC. (Note 6)	(196,779)	(123,307)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(99,701)	28,022
NET ASSETS, BEGINNING OF YEAR	219,891	191,869
NET ASSETS, END OF YEAR	<u>\$ 120,190</u>	<u>\$ 219,891</u>

# ROSSBROOK HOUSE INC.

## Balance Sheet

March 31, 2017

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and term deposits	\$ 322,944	\$ 352,787
Accounts receivable	3,281	4,567
Grants receivable	64,885	1,500
Due from Rossbrook House Foundation Inc.	-	325
Prepaid expenses	3,475	11,535
	<u>394,585</u>	<u>370,714</u>
FIXED ASSETS (Note 3)	512,131	617,220
	<u>\$ 906,716</u>	<u>\$ 987,934</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 111,066	\$ 97,496
Deferred contributions - operating (Note 4)	67,205	9,360
	<u>178,271</u>	<u>106,856</u>
DEFERRED CONTRIBUTIONS FIXED ASSETS (Note 5)	608,255	661,187
	<u>786,526</u>	<u>768,043</u>
<b>NET ASSETS</b>		
Unrestricted	120,190	219,891
	<u>\$ 906,716</u>	<u>\$ 987,934</u>

APPROVED BY THE BOARD

  
..... Director

  
..... Director

**ROSSBROOK HOUSE INC.**  
**Statement of Cash Flows**  
Year Ended March 31, 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenses from operations	\$ (99,701)	\$ 28,022
Items not affecting cash:		
Amortization of fixed assets	111,443	102,695
Amortization of deferred contributions - operating	(9,360)	(6,260)
Amortization of deferred contributions - fixed assets	(72,658)	(83,684)
	<u>(70,276)</u>	<u>40,773</u>
Changes in non-cash operating working capital items:		
Accounts receivable	1,286	(980)
Grants receivable	(63,385)	7,900
Due from Rossbrook House Foundation Inc.	325	(22)
Prepaid expenses	8,060	(6,178)
Accounts payable and accrued liabilities	13,570	8,315
	<u>(110,420)</u>	<u>49,808</u>
<b>FINANCING ACTIVITIES</b>		
Deferred contributions - operating	67,205	9,360
Deferred contributions - fixed assets	19,726	1,529
	<u>86,931</u>	<u>10,889</u>
<b>INVESTING ACTIVITIES</b>		
Fixed asset additions	(6,354)	(21,992)
<b>NET (DECREASE) INCREASE IN CASH POSITION</b>	<b>(29,843)</b>	<b>38,705</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>352,787</b>	<b>314,082</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ 322,944</b>	<b>\$ 352,787</b>

**ROSSBROOK HOUSE INC.**  
**Notes to the Financial Statements**  
**March 31, 2017**

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**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, 2017**

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**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**

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2	\$ -	\$ 2	\$ 2
Buildings	1,622,254	1,136,856	485,398	576,692
Furniture, fixtures and equipment	158,914	158,914	-	447
Vehicles	58,011	31,280	26,731	36,562
Computer equipment	51,935	51,935	-	3,517
	<b>\$1,891,116</b>	<b>\$1,378,985</b>	<b>\$ 512,131</b>	<b>\$ 617,220</b>

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, 2017**

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**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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 9,360	\$ 6,260
Amount recognized as revenue in the year	(9,360)	(6,260)
Amount received related to the following year	67,205	9,360
Balance, end of year	<u>\$ 67,205</u>	<u>\$ 9,360</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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 661,187	\$ 743,342
Amounts amortized to revenue	(72,658)	(83,684)
Amounts received	19,726	1,529
Balance, end of year	<u>\$ 608,255</u>	<u>\$ 661,187</u>

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

	<u>2017</u>	<u>2016</u>
Unamortized capital contributions	\$ 522,940	\$ 575,872
Unspent contributions	85,315	85,315
Balance, end of year	<u>\$ 608,255</u>	<u>\$ 661,187</u>

**6. ROSSBROOK HOUSE FOUNDATION INC.**

During the year, the Organization received a gift of \$54,277 (2016 - \$15,177) from Rossbrook House Foundation Inc., and the Board of Directors approved the transfer of designated gifts of \$196,779 (2016 - \$123,307) from the Organization to Rossbrook House Foundation Inc.

**ROSSBROOK HOUSE INC.**  
**Notes to the Financial Statements**  
**March 31, 2017**

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**7. GRANTS – UNRESTRICTED**

	<u>2017</u>	<u>2016</u>
Provincial Government		
Healthy Child Manitoba – Sustaining Funding	\$ 286,000	\$ 286,000
Central Neighbourhoods Development Corporation	-	2,000
Department of Education and Training	40,000	40,000
Learning Always	37,440	28,100
Lighthouses	12,000	12,000
Urban Green Team	17,474	16,758
White Sash	23,000	5,000
Miscellaneous	-	5,500
City of Winnipeg - Sustaining Funding	256,339	256,339
United Way of Winnipeg - Sustaining Funding	259,038	258,900
	<u>\$ 931,291</u>	<u>\$ 910,597</u>

**8. 429 ELGIN AVENUE**

	<u>2017</u>	<u>2016</u>
Operating expenses	\$ 28,961	\$ 24,504
Property tax	245	196
Insurance	968	815
Amortization	10,697	15,621
Total expenses	<u>\$ 40,871</u>	<u>\$ 41,136</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 \$43,675 (2016 - \$44,023), is accounted for as a defined contribution plan.

**ROSSBROOK HOUSE INC.**  
**Operating Expenses**  
**Year Ended March 31, 2017**

	<u>2017</u>	<u>Budget</u> (Note 9) (Unaudited)	<u>2016</u>
Accounting and auditing	\$ 8,625	\$ 9,600	\$ 8,667
Bank charges and interest	2,268	2,700	1,873
Education programs	41,622	50,800	45,356
Equipment purchases and repairs	3,472	3,000	2,385
Food and household supplies	59,948	56,000	58,058
G.S.T.	6,743	8,000	7,386
Garbage removal	6,242	4,400	4,843
Insurance	11,466	11,400	12,336
Miscellaneous	6,672	3,500	10,921
Office supplies and computer	25,104	31,200	30,809
Realty taxes	425	350	339
Storage rent	1,009	1,000	1,148
Repairs and maintenance - building	41,180	45,800	27,898
Rossbrook House program	177,144	191,755	196,010
Transportation	27,872	41,000	24,563
Utilities			
Gas	3,843	5,400	4,701
Electricity	10,447	9,600	10,169
Telephone	5,610	6,600	6,931
Water	3,421	2,800	3,168
Wages, benefits and taxes			
Gross wages	1,070,793	1,020,100	979,989
Canada Pension Plan	41,906	40,700	37,906
Employment Insurance	25,541	25,700	23,824
Community Agencies Benefits Plan	28,172	28,000	25,138
Community Agencies Retirement Plan	43,675	45,000	44,023
Other benefits	16,399	35,800	15,765
	<b>\$ 1,669,599</b>	<b>\$ 1,680,205</b>	<b>\$ 1,584,206</b>