

HEAD & HANDS INC. / À DEUX MAINS INC.

Financial Statements

March 31, 2013

HEAD & HANDS INC. / À DEUX MAINS INC.

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Amstutz Mackenzie & associé (s.e.n.c)

Comptables Professionnels Agréés

INDEPENDENT AUDITORS' REPORT

To the Members of
HEAD & HANDS INC. / À DEUX MAINS INC.

We have audited the accompanying financial statements of HEAD & HANDS INC. / À DEUX MAINS INC. which comprise the balance sheet as at March 31, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 judgement, 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 non-profit organizations, the organization derives revenue from 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 organization's records and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses, current assets and net assets.

Qualified Opinion - In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the previous paragraphs, the financial statements present fairly, in all material respects, the financial position of HEAD & HANDS INC. / À DEUX MAINS INC. as at March 31, 2013 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.

Comparative information - Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that HEAD & HANDS INC. / À DEUX MAINS INC. adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



By: R. Amstutz, CPA auditor, CA
June 5, 2013
Montreal, Quebec

HEAD & HANDS INC. / À DEUX MAINS INC.
BALANCE SHEET
as at March 31, 2013

	<u>March 31,</u> <u>2 0 1 3</u>	<u>March 31,</u> <u>2 0 1 2</u>	<u>April 1,</u> <u>2 0 1 1</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 21,126	\$ 13,429	\$ 25,803
Marketable securities	19,847	19,847	19,847
Accounts receivable (Note 4)	77,438	12,624	3,813
Prepaid expenses	<u>4,389</u>	<u>4,337</u>	<u>2,472</u>
	122,800	50,237	51,935
VACANT LAND	34,500	34,500	34,500
PROPERTY AND EQUIPMENT (Note 5)	<u>17,249</u>	<u>23,890</u>	<u>30,046</u>
	<u>\$ 174,549</u>	<u>\$ 108,627</u>	<u>\$ 116,481</u>

LIABILITIES

CURRENT LIABILITIES

Lines of credit (Note 6)	\$ 20,398	\$ 773	\$ 8,392
Accounts payable (Note 7)	77,577	75,836	43,346
Deferred revenue	<u>31,798</u>	<u>-</u>	<u>32,311</u>
	<u>129,773</u>	<u>76,609</u>	<u>84,049</u>

NET ASSETS

NET ASSETS

Invested in property and equipment	17,249	23,890	30,046
Internally restricted funds (Note 11)	19,847	19,847	19,847
Unrestricted	<u>7,680</u>	<u>(11,719)</u>	<u>(17,461)</u>
	<u>44,776</u>	<u>32,018</u>	<u>32,432</u>
	<u>\$ 174,549</u>	<u>\$ 108,627</u>	<u>\$ 116,481</u>

COMMITMENT (Note 12)

ON BEHALF OF THE BOARD

....., Director

....., Director

The accompanying notes form an integral part of the financial statements

HEAD & HANDS INC. / À DEUX MAINS INC.
 CHANGES IN NET ASSETS
 year ended March 31, 2013

				<u>2 0 1 3</u>	<u>2 0 1 2</u>
	Invested in property and equipment	Internally restricted funds (Note 11)	Un- restricted	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 23,890	\$ 19,847	\$ (11,719)	\$ 32,018	\$ 32,432
Excess (deficiency) of revenues over expenses	-	-	12,758	12,758	(414)
Amortization	(7,117)	-	7,117	-	-
Acquisition of property and equipment	<u>476</u>	<u>-</u>	<u>(476)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>17,249</u>	\$ <u>19,847</u>	\$ <u>7,680</u>	\$ <u>44,776</u>	\$ <u>32,018</u>

The accompanying notes form an integral part of the financial statements

HEAD & HANDS INC. / À DEUX MAINS INC.
STATEMENT OF OPERATIONS
year ended March 31, 2013

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
REVENUES		
Grants		
Centraide	\$ 145,950	\$ 145,950
Health and Social Services Agency		
Montréal-Centre	128,558	122,602
Street Work	-	48,238
Federal Government		
Health Canada - YPP (Note 8)	59,605	53,152
Summer Career Placements	6,358	10,527
City of Montréal		
Jeunesse 2000	57,934	57,934
Mauve Movement - J2K	13,989	13,989
Government of Québec		
CLSC Lunch Program - YPP	6,000	6,000
Emploi Québec	22,086	10,814
Ministère de la famille YPP	9,202	8,144
Donations (Note 9)	197,473	145,184
Memberships	70,291	51,614
Miscellaneous programs and other	50,001	29,992
	<u>767,447</u>	<u>704,140</u>
EXPENSES		
Program costs, salaries and benefits		
Health Canada - Young Parents' Program (Note 8)	99,232	81,022
Medical supplies and services (including Sense Project)	72,552	72,473
City of Montreal		
Jeunesse 2000	76,035	69,046
Mauve Movement	13,946	11,080
Social counselling and Outreach	35,266	33,722
Legal services and education	31,066	33,052
Street Work	-	31,882
CLSC Lunch Program	6,477	5,346
Summer Career Placements	6,336	3,088
Youth Talent Show	41	969
Administrative costs (Note 10)	413,738	362,874
	<u>754,689</u>	<u>704,554</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 12,758</u>	<u>\$ (414)</u>

The accompanying notes form an integral part of the financial statements

HEAD & HANDS INC. / À DEUX MAINS INC.
 STATEMENT OF CASH FLOWS
 year ended March 31, 2013

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 12,758	\$ (414)
Items not affecting cash		
Amortization	<u>7,117</u>	<u>8,094</u>
	19,875	7,680
Changes in non cash operating working capital		
Accounts receivable	(64,814)	(8,811)
Prepaid expenses	(52)	(1,865)
Accounts payable	1,741	32,490
Deferred revenue	<u>31,798</u>	<u>(32,311)</u>
	<u>(11,452)</u>	<u>(2,817)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(476)</u>	<u>(1,938)</u>
	<u>(476)</u>	<u>(1,938)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(11,928)	(4,755)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>32,503</u>	<u>37,258</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>20,575</u></u>	\$ <u><u>32,503</u></u>
Cash and cash equivalents comprises:		
Cash	\$ 21,126	\$ 13,429
Marketable securities	19,847	19,847
Lines of credit	<u>(20,398)</u>	<u>(773)</u>
	\$ <u><u>20,575</u></u>	\$ <u><u>32,503</u></u>

The accompanying notes form an integral part of the financial statements

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2013

1. STATUS AND PURPOSE OF THE ORGANIZATION

The organization was incorporated under Part III of the Québec Companies Act and is a registered charity under the Income Tax Act.

The organization's mission is to work with youth to promote their physical and mental well-being. The approach is preventive, inclusive, non-judgemental and holistic, with a fundamental commitment to providing an environment that welcomes youth without discrimination. The organization facilitates social change and the empowerment of youth based on their current needs within our community and society at large.

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

These financial statements are the first financial statements for which the organization has applied Canadian accounting standards for not-for-profit organizations. First-time adoption of this new basis of accounting had no impact on the organization's excess of revenue over expenses nor on its net assets at the date of transition, April 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

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. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Self-financing

Revenues from self-financing activities are recognized when the services are rendered or when the events have taken place.

Property and equipment

Property and equipment are recorded at cost. They are amortized over their estimated useful lives using the following methods and annual rates:

HEAD & HANDS INC. / À DEUX MAINS INC.
 NOTES TO THE FINANCIAL STATEMENTS
 as at March 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment (cont'd)

Furniture, fixtures and equipment	20% declining-balance
Computer equipment	30% declining-balance
Rolling stock	30% declining-balance
Leasehold improvements	5 years straight-line
Financial instruments	

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include the bank lines of credit, accounts payable and deferred revenue.

Contributed goods and services

During the year, the organization received the services of volunteers to carry out various activities. In addition, the organization also received food donations throughout the year.

For the current year it is not possible to evaluate the services received from the volunteers as well as the value of food donations. If it were possible to determine the monetary value of these services, the amounts would have been recorded in the appropriate revenue and expense captions.

4. ACCOUNTS RECEIVABLE	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Grants receivable	\$ 62,422	\$ -
Sales taxes receivable	12,934	8,695
Miscellaneous	<u>2,082</u>	<u>3,929</u>
	\$ <u><u>77,438</u></u>	\$ <u><u>12,624</u></u>

5. CAPITAL ASSETS		<u>2 0 1 3</u>	<u>2 0 1 2</u>
	Accumulated	Net Book	Net Book
	Amort-	Value	Value
	ization		
	<u>Cost</u>		
Furniture, fixtures and equipment	\$ 24,364	\$ 8,882	\$ 10,663
Computer equipment	40,280	8,004	10,961
Rolling stock	1,875	363	514
Leasehold improvements	<u>8,752</u>	<u>-</u>	<u>1,752</u>
	\$ <u><u>75,271</u></u>	\$ <u><u>17,249</u></u>	\$ <u><u>23,890</u></u>

6. LINES OF CREDIT

The organization has unsecured operating lines of credit on credit cards totalling \$22,000, bearing interest at 7.75%, which are renewable annually.

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2013

7. ACCOUNTS PAYABLE	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Accrued charges	\$ 4,153	\$ 2,500
Salaries and vacations payable	23,457	28,052
Government remittances	<u>49,967</u>	<u>45,284</u>
	<u>\$ 77,577</u>	<u>\$ 75,836</u>
8. HEALTH CANADA - YOUNG PARENTS' PROGRAM	<u>2 0 1 3</u>	<u>2 0 1 2</u>
REVENUES	<u>\$ 59,605</u>	<u>\$ 53,152</u>
EXPENSES		
Salaries and fringe benefits	79,516	63,659
Travel	3,917	3,865
Materials	1,522	287
Rent and utilities	8,465	8,165
Evaluation	445	200
Miscellaneous	<u>5,367</u>	<u>4,846</u>
	<u>99,232</u>	<u>81,022</u>
	<u>\$ (39,627)</u>	<u>\$ (27,870)</u>
9. DONATIONS	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Fundraising events	\$ 58,854	\$ 40,243
Foundations	70,749	39,486
Sense project	40,034	26,173
Farha Foundation	-	19,555
Donations	18,519	11,679
Workshops	6,194	3,775
Jeunesse 2000	1,217	1,954
Young Parents' Program	1,335	1,249
Legal and medical donations	<u>571</u>	<u>1,070</u>
	<u>\$ 197,473</u>	<u>\$ 145,184</u>
10. ADMINISTRATIVE COSTS	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Salaries and fringe benefits	\$ 249,147	\$ 229,450
Administration	58,173	46,743
Rent and utilities	42,085	37,211
Maintenance	12,513	12,940
Office supplies	23,772	16,733
Miscellaneous	20,931	11,703
Amortization	<u>7,117</u>	<u>8,094</u>
	<u>\$ 413,738</u>	<u>\$ 362,874</u>

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2013

11. INTERNALLY RESTRICTED FUNDS

The board of directors internally restricted resources amounting to \$19,847 which are shown as marketable securities in the financial statements. These internally restricted amounts are not available for other purposes without approval of the board of directors.

These securities represent a special gift from donors who wish to remain anonymous for the purposes of this report. They intend these funds to be used only for a possible capital campaign wherein Head & Hands Inc. would purchase a building in NDG that would become the home of their main services.

12. COMMITMENT

The organization leases its office space under an annual arrangement with minimum annual lease payments of \$29,880.

13. FINANCIAL INSTRUMENTS

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date, i.e. March 31, 2013.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its bank lines of credit, its accounts payable and its deferred revenue.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable.