

HEAD & HANDS INC. / À DEUX MAINS INC.

Financial Statements

March 31, 2017

HEAD & HANDS INC. / À DEUX MAINS INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
Balance Sheet	5
Statement of Changes in Net Assets	6
Statement of Operations	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 12

Amstutz Inc.
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, 2017, 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, 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.



By: R. Amstutz, CPA auditor, CA
May 31, 2017
Montreal, Quebec

HEAD & HANDS INC. / À DEUX MAINS INC.
BALANCE SHEET
as at March 31, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ 117,759
Marketable securities	19,847	19,847
Accounts receivable (Note 3)	7,368	4,947
Grants receivable	117,068	-
Prepaid expenses	<u>8,026</u>	<u>4,722</u>
	152,309	147,275
VACANT LAND	34,500	34,500
CAPITAL ASSETS (Note 4)	<u>41,946</u>	<u>5,705</u>
	\$ <u>228,755</u>	\$ <u>187,480</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ 4,333	\$ -
Lines of credit (Note 5)	27,819	-
Accounts payable (Note 6)	51,242	31,673
Deferred revenue	<u>-</u>	<u>58,855</u>
	83,394	90,528
DEFERRED GRANTS related to capital assets (Note 7)	<u>25,000</u>	<u>-</u>
	<u>108,394</u>	<u>90,528</u>
NET ASSETS		
NET ASSETS		
Invested in property and equipment	41,946	5,705
Internally restricted funds (Note 11)	22,689	22,689
Unrestricted	<u>55,726</u>	<u>68,558</u>
	<u>120,361</u>	<u>96,952</u>
	\$ <u>228,755</u>	\$ <u>187,480</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.
 STATEMENT OF CHANGES IN NET ASSETS
 year ended March 31, 2017

				<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>Invested in capital assets</u>	<u>Internally restricted funds</u> (Note 11)	<u>Un- restricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 5,705	\$ 22,689	\$ 68,558	\$ 96,952	\$ 82,398
Excess of revenues over expenses	-	-	23,409	23,409	14,554
Acquisition of capital assets	37,597	-	(37,597)	-	-
Amortization	<u>(1,356)</u>	<u>-</u>	<u>1,356</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>41,946</u>	\$ <u>22,689</u>	\$ <u>55,726</u>	\$ <u>120,361</u>	\$ <u>96,952</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, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
REVENUES		
Grants		
Centraide	\$ 143,050	\$ 143,050
Federal Government		
Health Canada - YPP (Note 8)	64,488	66,488
Canada Summer Jobs	12,362	10,673
City of Montréal		
Jeunesse 2000	46,996	59,162
Mauve Movement - J2K	13,989	13,989
Contrat de Ville	9,600	12,000
OBNL locataires	-	2,236
Government of Québec		
Minister of Health and Social Services	134,706	133,109
Ministère de la famille YPP	20,194	9,295
Emploi Québec	9,249	23,603
CLSC Lunch Program - YPP	6,600	7,376
Soutien à l'action bénévole	5,000	5,500
Donations (Note 9)	382,150	311,711
Street Work	69,555	80,800
Program income	4,800	6,100
Miscellaneous	-	130
	<u>922,739</u>	<u>885,222</u>
EXPENSES		
Operating costs (Note 10)	352,161	353,650
Program costs, salaries and benefits		
Health Canada - Young Parents' Program (Note 8)	116,834	116,971
Medical supplies and services (including Sense Project)	86,227	82,044
City of Montreal		
Jeunesse 2000	89,979	84,794
Mauve Movement	13,989	13,989
Street Work	51,301	44,475
Social counselling and Outreach	43,456	40,100
Legal services and education	39,111	26,023
Emploi-Quebec	15,627	27,212
Summer Career Placements	13,686	8,007
CLSC Lunch Program	8,311	8,298
Fundraising costs	68,648	65,105
	<u>899,330</u>	<u>870,668</u>
EXCESS OF REVENUES OVER EXPENSES	\$ <u>23,409</u>	\$ <u>14,554</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, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 23,409	\$ 14,554
Items not affecting cash		
Amortization	<u>1,356</u>	<u>3,469</u>
	24,765	18,023
Changes in non cash operating working capital		
Accounts receivable	(2,421)	(2,988)
Grants receivable	(117,068)	-
Prepaid expenses	(3,304)	(244)
Accounts payable	19,569	(839)
Deferred revenue	<u>(58,855)</u>	<u>10,916</u>
	<u>(137,314)</u>	<u>24,868</u>
FINANCING ACTIVITIES		
Increase in deferred revenues related to capital assets	<u>25,000</u>	<u>-</u>
	<u>25,000</u>	<u>-</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(37,597)</u>	<u>-</u>
	<u>(37,597)</u>	<u>-</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(149,911)	24,868
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>117,759</u>	<u>92,891</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>(32,152)</u>	\$ <u>117,759</u>

Cash and cash equivalents are comprised of the following:

Cash	\$ -	\$ 117,759
Bank indebtedness	4,333	-
Line of credit	<u>27,819</u>	<u>-</u>
	<u>\$ (32,152)</u>	<u>\$ 117,759</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, 2017

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 preventative, 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. 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.

Marketable securities

Marketable securities are recorded at cost.

Cash and cash equivalents

The organization's policy is to disclose cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and marketable securities with a maturity period of three months or less from the date of acquisition.

HEAD & HANDS INC. / À DEUX MAINS INC.
 NOTES TO THE FINANCIAL STATEMENTS
 as at March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets

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

Benny library improvements	5 years straight-line
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 and grants receivable. Financial liabilities measured at amortized cost include bank indebtedness, lines of credit and accounts payable.

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.

3. ACCOUNTS RECEIVABLE	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Sales taxes receivable	\$ 6,968	\$ 3,747
Other receivables	<u>400</u>	<u>1,200</u>
	\$ <u><u>7,368</u></u>	\$ <u><u>4,947</u></u>

4. CAPITAL ASSETS		<u>2 0 1 7</u>	<u>2 0 1 6</u>
	Cost	Accumulated Amort- ization	Net Book Value
Benny Library improvements	\$ 37,597	\$ -	\$ 37,597
Furniture, fixtures and equipment	24,364	22,236	2,960
Computer equipment	40,280	38,059	2,221
Rolling stock	1,875	1,875	-
Leasehold improvements	<u>8,752</u>	<u>8,752</u>	<u>-</u>
	\$ <u><u>112,868</u></u>	\$ <u><u>70,922</u></u>	\$ <u><u>41,946</u></u>
			\$ <u><u>5,705</u></u>

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2017

5. LINES OF CREDIT

The organization has unsecured operating lines of credit on credit cards totalling \$45,000, bearing interest at 7.45%, which are renewable annually.

6. ACCOUNTS PAYABLE	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Accrued charges	\$ 8 089	\$ -
Salaries and vacations payable	23,522	14,946
Government remittances	<u>19,631</u>	<u>16,727</u>
	\$ <u>51,242</u>	\$ <u>31,673</u>

7. DEFERRED REVENUES RELATED TO CAPITAL ASSETS	<u>2 0 1 7</u>	<u>2 0 1 6</u>		
	<u>Cost</u>	<u>Accumulated Amort- ization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Benny Library improvements	\$ <u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
	\$ <u>25,000</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>-</u>

Deferred grants for the Benny Library improvements are amortized at the same rates as the assets to which they relate.

8. HEALTH CANADA - YOUNG PARENTS' PROGRAM	<u>2 0 1 7</u>	<u>2 0 1 6</u>
REVENUES	\$ <u>64,488</u>	\$ <u>66,488</u>
EXPENSES		
Salaries and fringe benefits	98,616	93,960
Travel	3,001	4,579
Materials	1,248	2,437
Rent and utilities	7,294	7,640
Activities	6,071	7,755
Miscellaneous	<u>604</u>	<u>600</u>
	<u>116,834</u>	<u>116,971</u>
	\$ <u>(52,346)</u>	\$ <u>(50,483)</u>

9. DONATIONS	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Foundations	\$ 208,013	\$ 162,064
Memberships	82,093	75,380
Fundraising events	47,017	33,703
Serve project	28,641	29,911
Donations	14,621	7,913
Workshops	<u>1,765</u>	<u>2,740</u>
	\$ <u>382,150</u>	\$ <u>311,711</u>

HEAD & HANDS INC. / À DEUX MAINS INC.
 NOTES TO THE FINANCIAL STATEMENTS
 as at March 31, 2017

10. OPERATING COSTS	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Salaries and fringe benefits	\$ 201,749	\$ 188,800
Administration	72,901	75,600
Rent and utilities	45,906	44,941
Maintenance	15,568	13,409
Office supplies	9,512	16,881
Miscellaneous	5,169	10,550
Amortization	<u>1,356</u>	<u>3,469</u>
	<u>\$ 352,161</u>	<u>\$ 353,650</u>

11. INTERNALLY RESTRICTED FUNDS

The board of directors internally restricted resources amounting to \$22,689. These internally restricted amounts are not available for other purposes without approval of the board of directors.

These funds are to be used only for a capital campaign wherein Head & Hands Inc. would re-locate to new facilities 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, 2017.

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 indebtedness, lines of credit and accounts payable.

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 and grants receivable.