

HEAD & HANDS INC. / À DEUX MAINS INC.

Financial Statements

March 31, 2018

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 - 13

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, 2018, 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, 2018 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
June 18, 2018
Montreal, Quebec

HEAD & HANDS INC. / À DEUX MAINS INC.
BALANCE SHEET
as at March 31, 2018

	<u>2 0 1 8</u>	<u>2 0 1 7</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 121,400	\$ -
Marketable securities	19,847	19,847
Accounts receivable (Note 3)	52,891	7,368
Grants receivable	39,799	117,068
Prepaid expenses	<u>10,607</u>	<u>8,026</u>
	244,544	152,309
VACANT LAND	34,500	34,500
CAPITAL ASSETS (Note 4)	<u>680,314</u>	<u>41,946</u>
	\$ <u>959,358</u>	\$ <u>228,755</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 4,333
Lines of credit (Note 5)	-	27,819
Accounts payable (Note 6)	141,156	51,242
Current portion of long-term debt (Note 7)	<u>45,354</u>	<u>-</u>
	186,510	83,394
LONG-TERM DEBT (Note 7)	197,312	-
DEFERRED GRANTS related to capital assets (Note 8)	<u>419,934</u>	<u>25,000</u>
	<u>803,756</u>	<u>108,394</u>
NET ASSETS		
NET ASSETS		
Invested in property and equipment	17,714	41,946
Internally restricted funds	-	22,689
Unrestricted	<u>137,888</u>	<u>55,726</u>
	<u>155,602</u>	<u>120,361</u>
	\$ <u>959,358</u>	\$ <u>228,755</u>

COMMITMENT (Note 12)

ON BEHALF OF THE BOARD

 Jacques Evasse, 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, 2018

	Invested in capital assets	Internally restricted funds	Un- restricted	<u>2 0 1 8</u> Total	<u>2 0 1 7</u> Total
Balance, beginning of year	\$ 16,946	\$ 22,689	\$ 80,726	\$ 120,361	\$ 96,952
Excess of revenues over expenses	-	-	35,241	35,241	23,409
Acquisition of capital assets	648,030	-	(648,030)	-	-
Amortization of capital assets	(9,662)	-	9,662	-	-
Increase in deferred grants related to capital assets	(400,250)	-	400,250	-	-
Amortization of deferred grants related to capital assets	5,316	-	(5,316)	-	-
Increase in long-term debt	(250,000)	-	250,000	-	-
Repayment of Long-term debt	7,334	-	(7,334)	-	-
Use of internally restricted funds	-	(22,689)	22,689	-	-
Balance, end of year	\$ <u>17,714</u>	\$ <u>-</u>	\$ <u>137,888</u>	\$ <u>155,602</u>	\$ <u>120,361</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, 2018

REVENUES	<u>2 0 1 8</u>	<u>2 0 1 7</u>
Grants		
Centraide	\$ 143,050	\$ 143,050
Federal Government		
Health Canada - Young Parents' Program (Note 9)	68,098	64,488
Canada Summer Jobs	9,449	12,362
City of Montréal		
Jeunesse 2000	46,717	46,996
Mauve Movement - J2K	13,989	13,989
Contrat de Ville	2,400	9,600
Government of Québec		
Minister of Health and Social Services	145,518	134,706
Emploi Québec	17,100	9,249
Ministère de la famille		
Ensemble contre l'intimidation	32,000	-
Young Parent's Program	9,550	20,194
CLSC Lunch Program - YPP	-	6,600
Soutien à l'action bénévole	-	5,000
Donations (Note 10)	364,675	382,150
Street Work	60,060	69,555
Program income	4,800	4,800
Amortization of deferred grants related to capital assets	5,316	-
Miscellaneous	<u>2,367</u>	<u>-</u>
	<u>925,089</u>	<u>922,739</u>
 EXPENSES		
Operating costs (Note 11)	334,437	352,161
Program costs, salaries and benefits		
Health Canada - Young Parents' Program (Note 9)	117,269	116,834
Medical supplies and services (including Sense Project)	74,693	86,227
City of Montreal		
Jeunesse 2000	97,391	89,979
Mauve Movement	13,989	13,989
Street Work	70,674	51,301
Social counselling and Outreach	38,803	43,456
Legal services and education	33,926	39,111
Emploi-Quebec	19,634	15,627
Canada Summer Jobs	10,461	13,686
CLSC Lunch Program - YPP	10,090	8,311
Fundraising costs	<u>68,481</u>	<u>68,648</u>
	<u>889,848</u>	<u>899,330</u>
 EXCESS OF REVENUES OVER EXPENSES	 \$ <u>35,241</u>	 \$ <u>23,409</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, 2018

	<u>2 0 1 8</u>	<u>2 0 1 7</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 35,241	\$ 23,409
Items not affecting cash		
Amortization of capital assets	9,662	1,356
Amortization of deferred revenues related to capital assets	<u>(5,316)</u>	<u>-</u>
	39,587	24,765
Changes in non cash operating working capital		
Accounts receivable	(45,523)	(2,421)
Grants receivable	77,269	(117,068)
Prepaid expenses	(2,581)	(3,304)
Accounts payable	89,914	19,569
Deferred revenue	<u>-</u>	<u>(58,855)</u>
	<u>158,666</u>	<u>(137,314)</u>
FINANCING ACTIVITIES		
Long-term debt	250,000	-
Repayment of long-term debt	(7,334)	-
Increase in deferred revenues related to capital assets	<u>400,250</u>	<u>25,000</u>
	<u>642,916</u>	<u>25,000</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(648,030)</u>	<u>(37,597)</u>
	<u>(648,030)</u>	<u>(37,597)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,552	(149,911)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(32,152)</u>	<u>117,759</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>121,400</u>	\$ <u>(32,152)</u>

Cash and cash equivalents are comprised of the following:

Cash	\$ 121,400	\$ -
Bank indebtedness	-	4,333
Lines of credit	<u>-</u>	<u>27,819</u>
	\$ <u>121,400</u>	\$ <u>(32,152)</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, 2018

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, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital assets

Capital assets are recorded at cost. They are amortized over their estimated useful lives using the declining-balance method at the following annual rates:

Benny library improvements	5%
Furniture, fixtures and equipment	20%
Computer equipment	30%
Rolling stock	30%

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 and grants receivable. Financial liabilities measured at amortized cost include accounts payable and long-term debt.

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 8</u>	<u>2 0 1 7</u>
Sales taxes receivable	\$ 52,141	\$ 6,968
Other receivables	<u>750</u>	<u>400</u>
	\$ <u><u>52,891</u></u>	\$ <u><u>7,368</u></u>

4. CAPITAL ASSETS

	<u>2 0 1 8</u>		<u>2 0 1 7</u>	
	<u>Cost</u>	Accumulated <u>Amort- ization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Benny Library improvements	\$ 685,627	\$ 8,570	\$ 677,057	\$ 37,597
Furniture, fixtures and equipment	24,364	22,662	1,702	2,128
Computer equipment	40,280	38,725	1,555	2,221
Rolling stock	<u>1,875</u>	<u>1,875</u>	<u>-</u>	<u>-</u>
	\$ <u><u>752,146</u></u>	\$ <u><u>71,832</u></u>	\$ <u><u>680,314</u></u>	\$ <u><u>41,946</u></u>

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2018

5. LINES OF CREDIT

The organization has unsecured operating lines of credit on credit cards totalling \$75,000, bearing interest at 8.20%, which are renewable annually.

6. ACCOUNTS PAYABLE	<u>2 0 1 8</u>	<u>2 0 1 7</u>
Accrued charges	\$ 102,466	\$ 8,089
Salaries and vacations payable	24,817	23,522
Government remittances	<u>13,873</u>	<u>19,631</u>
	\$ <u>141,156</u>	\$ <u>51,242</u>

7. LONG-TERM DEBT	<u>2 0 1 8</u>	<u>2 0 1 7</u>
Term loan, maturing January 2023, bearing interest at the rate of 5.18%, interest and capital repayable in equal monthly instalments of \$4,738	\$ 242,666	\$ -
Current portion of long-term debt	<u>45,354</u>	<u>-</u>
	\$ <u>197,312</u>	\$ <u>-</u>

8. DEFERRED REVENUES RELATED TO CAPITAL ASSETS	<u>2 0 1 8</u>	<u>2 0 1 7</u>	
	Accumulated Amort- ization	Net Book Value	Net Book Value
	<u>Cost</u>	<u>Value</u>	<u>Value</u>
Benny Library improvements	\$ <u>425,250</u>	\$ <u>5,316</u>	\$ <u>419,934</u>
	\$ <u>425,250</u>	\$ <u>5,316</u>	\$ <u>25,000</u>

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

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2018

9. HEALTH CANADA - YOUNG PARENTS' PROGRAM	<u>2 0 1 8</u>	<u>2 0 1 7</u>
REVENUES	\$ <u>68,098</u>	\$ <u>64,488</u>
EXPENSES		
Salaries and fringe benefits	99,122	98,616
Travel	6,281	3,001
Rent and utilities	4,925	7,294
Activities	3,843	6,071
Materials	2,635	1,248
Miscellaneous	<u>463</u>	<u>604</u>
	<u>117,269</u>	<u>116,834</u>
	\$ <u>(49,171)</u>	\$ <u>(52,346)</u>
10. DONATIONS	<u>2 0 1 8</u>	<u>2 0 1 7</u>
Foundations	\$ 183,563	\$ 208,013
Memberships	90,258	82,093
Donations	43,694	14,621
Fundraising events	27,958	47,017
Serve project	14,601	28,641
Workshops	<u>4,601</u>	<u>1,765</u>
	\$ <u>364,675</u>	\$ <u>382,150</u>
11. OPERATING COSTS	<u>2 0 1 8</u>	<u>2 0 1 7</u>
Salaries and fringe benefits	\$ 191,135	\$ 201,749
Administration	43,734	72,901
Rent and utilities	55,721	45,906
Maintenance	12,267	15,568
Office supplies	9,903	9,512
Miscellaneous	9,872	5,169
Amortization	9,662	1,356
Interest on long-term debt	<u>2,143</u>	<u>-</u>
	\$ <u>334,437</u>	\$ <u>352,161</u>

HEAD & HANDS INC. / À DEUX MAINS INC.
NOTES TO THE FINANCIAL STATEMENTS
as at March 31, 2018

12. COMMITMENT

The organization leases its office space under an agreement with the City of Montréal for a period of 10 years with a renewal option for an additional 10 years with no minimum annual lease payments.

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, 2018.

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 accounts payable and long-term debt.

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 and grants receivable.

14. COMPARATIVE FIGURES

Certain figures for 2017 have been reclassified to conform to the presentation adopted in 2018.

