

**New Directions for
Children, Youth, Adults and
Families Inc.**

Financial Statements
March 31, 2017



May 25, 2017

Independent Auditor's Report

To the Members of New Directions for Children, Youth, Adults and Families Inc.

We have audited the accompanying financial statements of New Directions for Children, Youth, Adults and Families Inc. which comprise the balance sheet as at March 31, 2017 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Directions for Children, Youth, Adults and Families 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.

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New Directions for Children, Youth, Adults and Families Inc.

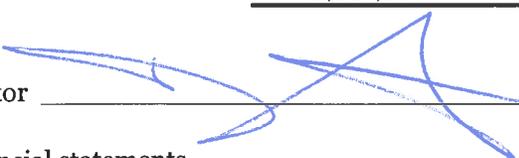
Balance Sheet

As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	2,028,405	1,932,455
Accounts receivable	2,700,363	3,576,319
Prepaid expenses	325,813	371,816
	<u>5,054,581</u>	<u>5,880,590</u>
Capital assets (note 4)	<u>13,809,440</u>	<u>14,370,795</u>
	<u>18,864,021</u>	<u>20,251,385</u>
Liabilities		
Current liabilities		
Accounts payable	2,179,981	2,270,335
Accrued vacation pay	1,291,287	1,304,656
Deferred contributions (note 5)	503,078	456,982
Deferred tenant inducements	2,557,911	2,784,466
Working capital advances - Province of Manitoba (note 6)	1,997,991	1,997,991
Current portion of long-term debt (note 7)	1,771,624	486,847
	<u>10,301,872</u>	<u>9,301,277</u>
Long-term debt (note 7)	3,486,944	5,558,979
Other long-term liabilities	550,860	518,472
Forgivable loan (note 8)	<u>1,273,047</u>	<u>1,333,668</u>
	<u>15,612,723</u>	<u>16,712,396</u>
Net Assets		
Net assets invested in capital assets	7,277,825	6,991,301
Net assets internally restricted (note 9)	157,032	244,602
Unrestricted net deficit	<u>(4,183,559)</u>	<u>(3,696,914)</u>
	<u>3,251,298</u>	<u>3,538,989</u>
	<u>18,864,021</u>	<u>20,251,385</u>

Approved by the Board of Directors


_____ Director


_____ Director

The accompanying notes are an integral part of these financial statements.

New Directions for Children, Youth, Adults and Families Inc.

Statement of Revenues and Expenses

For the year ended March 31, 2017

	2017 \$	2016 \$
Revenues		
Government of Canada	554,280	506,068
Province of Manitoba (note 10)	41,760,611	41,342,435
Child and Family Services Authorities/Agencies	9,969,234	8,281,051
United Way of Winnipeg	107,238	111,066
Other	1,210,939	987,878
	<hr/> 53,602,302	<hr/> 51,228,498
Expenses		
Operating expenses (schedule)	<hr/> 53,889,993	<hr/> 51,240,401
Excess of expenses over revenues	<hr/> (287,691)	<hr/> (11,903)

The accompanying notes are an integral part of these financial statements.

New Directions for Children, Youth, Adults and Families Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2017

				2017	2016
	Invested in capital assets \$	Internally restricted (Note 9) \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	6,991,301	244,602	(3,696,914)	3,538,989	3,550,892
Excess of expenses over revenues	-	-	(287,691)	(287,691)	(11,903)
Amortization	(927,405)	-	927,405	-	-
Amortization of forgivable loan (note 8)	60,621	-	(60,621)	-	-
Internally imposed restrictions transferred to fund operations	-	(24,225)	24,225	-	-
Investment in capital assets (see below)	1,153,308	(101,224)	(1,052,084)	-	-
Internally imposed restrictions Transferred to unrestricted	-	157,032	(157,032)	-	-
	-	(119,153)	119,153	-	-
Balance - End of year	7,277,825	157,032	(4,183,559)	3,251,298	3,538,989
Investment in capital assets consists of					
Purchase of capital assets	366,050	(101,224)	(264,826)		
Mortgage principal repayments	209,739	-	(209,739)		
Loan principal repayments	577,519	-	(577,519)		
	1,153,308	(101,224)	(1,052,084)		

The accompanying notes are an integral part of these financial statements.

New Directions for Children, Youth, Adults and Families Inc.

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(287,691)	(11,903)
Items not affecting cash		
Amortization	927,405	744,867
Amortization of forgivable loan (note 8)	(60,621)	(60,621)
Loss on disposal of capital assets	-	58,460
Other long-term liabilities	32,388	149,110
	611,481	879,913
Changes in non-cash working capital components	637,777	1,370,798
	1,249,258	2,250,711
Investing activities		
Purchase of capital assets	(366,050)	(5,815,275)
Financing activities		
Mortgage proceeds	-	1,082,400
Loan proceeds	-	1,742,128
Working capital advance proceeds	-	957,296
Mortgage principal repayments	(209,739)	(180,876)
Loan principal repayments	(577,519)	(20,423)
	(787,258)	3,580,525
Net increase in cash during the year	95,950	15,961
Cash - Beginning of year	1,932,455	1,916,494
Cash - End of year	2,028,405	1,932,455

The accompanying notes are an integral part of these financial statements.

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

1 Organization

New Directions for Children, Youth, Adults and Families Inc. (New Directions) is a private, not-for-profit organization offering services that contribute to the well-being of children, youth, adults, families and their communities.

New Directions receives a majority of its revenue from grant funding and per diem payments from Manitoba Family Services and Consumer Affairs, Manitoba Education, Manitoba Healthy Living, Youth and Seniors, and Child and Family Services Authorities/Agencies.

New Directions is a registered charity under the provisions of the Income Tax Act of Canada.

2 Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

3 Summary of significant accounting policies

Basis of accounting

The ongoing operations of New Directions are dependent on continued financial support at adequate levels from the Manitoba Government. These financial statements are prepared on the basis that this support will continue and that New Directions will be able to realize its assets and discharge its liabilities in the ordinary course of business.

Capital assets

Capital assets are initially recorded at cost and are amortized 50% in the year of purchase. Amortization is provided using the straight-line method over estimated useful lives as follows:

Buildings	25 years straight-line
Computer equipment	5 years straight-line
Furniture and equipment	10 years straight-line
Leasehold improvements	over the life of the lease
Vehicles	5 years straight-line
Computer software	5 years straight-line

Cash

Cash consists of cash on hand and cash held at banking institutions.

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

Deferred contributions

Deferred contributions represent operating and other funding received in the current period related to projects to be carried out in subsequent periods or the acquisition of capital assets.

The forgivable loan is being treated as a deferred contribution for accounting purposes and being amortized into revenue over the life of the underlying asset.

Deferred tenant inducements

The benefit of tenant inducements is accounted for as a reduction of rental expense over the term of the lease.

Revenue recognition

New Directions 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 revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Contributed services are recorded at their fair value.

Government assistance

Funds received from the Government in the form of grants or forgivable loans are recognized in the current period if related to non-capital expenditures or deferred and amortized over the life of the underlying asset if related to capital expenditures.

Financial instruments

a) Measurement of financial instruments

New Directions initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

New Directions subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued vacation pay, working capital advances, long-term debt, forgivable loan and other long-term liabilities.

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a writedown is recognized in the statement of revenues and expenses. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of revenues and expenses up to the amount of the previously recognized impairment.

Use of estimates

The preparation of financial statements in accordance with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4 Capital assets

	2017		2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,709,372	-	1,709,372	1,709,372
Buildings	8,112,721	2,403,354	5,709,367	5,836,056
Computer equipment	427,608	311,845	115,763	102,600
Furniture and equipment	505,004	212,392	292,612	299,699
Leasehold improvements	7,189,195	1,322,980	5,866,215	6,321,972
Vehicles	63,136	34,302	28,834	41,461
Computer software	252,933	165,656	87,277	59,635
	18,259,969	4,450,529	13,809,440	14,370,795

5 Deferred contributions

	2017 \$	2016 \$
Balance - beginning of year	456,982	527,408
Add: Amount received in the current year relating to future projects	2,755,723	2,793,466
Less: Amount recognized as revenue in the current year	(2,709,627)	(2,863,892)
Balance - end of year	503,078	456,982

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

6 Working capital advances - Province of Manitoba

There are no terms of repayment for working capital advances from the Province of Manitoba.

7 Long-term debt

	2017 \$	2016 \$
Steinbach Credit Union Limited		
3.10% fixed rate mortgage, repayable in monthly instalments of \$1,632 including principal and interest, due May 28, 2019; this mortgage is secured by Gilia Drive, Merrill Crescent, Sharp Boulevard, Greendell Avenue, Kings Drive, Kilkenny Drive, Spruce Street, and Cheriton Avenue properties	262,802	274,096
Culross Bay		
2.95% fixed rate mortgage, repayable in monthly instalments of \$435 including principal and interest, due February 1, 2020	56,117	59,636
Sanderson Ave		
2.69% fixed rate mortgage, repayable in monthly instalments of \$409 including principal and interest, due February 1, 2022	22,629	26,846
Waverley Street		
4.00% fixed rate mortgage, repayable in monthly instalments of \$293 including principal and interest, due November 1, 2016	-	2,316
Wakopa Street		
2.95% fixed rate mortgage, repayable in monthly instalments of \$1,410 including principal and interest, due February 1, 2020	181,857	193,261
Belcourt Bay		
3.10% fixed rate mortgage, repayable in monthly instalments of \$824 including principal and interest, due June 1, 2019	132,186	137,900
Aspen Glen		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,156 including principal and interest, due May 1, 2020	287,609	305,638
Bonner		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,730 including principal and interest, due December 1, 2020	235,754	250,091
Carroll		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,235 including principal and interest, due February 1, 2021	171,699	181,849
Costello		
2.49% fixed rate mortgage, repayable in monthly instalments of \$1,287 including principal and interest, due December 1, 2021	190,687	200,522
Carried forward	<u>1,541,340</u>	<u>1,632,155</u>

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

	2017 \$	2016 \$
Brought forward	1,541,340	1,632,155
St. Michael		
3.50% fixed rate mortgage, repayable in monthly instalments of \$735 including principal and interest, due June 1, 2017	104,284	109,384
Charing Cross		
3.50% fixed rate mortgage, repayable in monthly instalments of \$1,794 including principal and interest, due May 1, 2017	252,278	264,799
Peters		
3.25% fixed rate mortgage, repayable in monthly instalments of \$1,566 including principal and interest, due June 1, 2017	206,412	216,781
Astbury		
3.25% fixed rate mortgage, repayable in monthly instalments of \$1,435 including principal and interest, due June 1, 2017	218,026	229,577
Burns		
3.25% fixed rate mortgage, repayable in monthly instalments of \$1,557 including principal and interest, due July 1, 2017	225,457	236,666
Brookside		
3.25% fixed rate mortgage, repayable in monthly instalments of \$1,642 including principal and interest, due August 1, 2017	238,952	250,733
Beaverbrook		
3.25% fixed rate mortgage, repayable in monthly instalments of \$2,100 including principal and interest, due September 1, 2017	305,374	320,449
Driftwood		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,082 including principal and interest, due July 1, 2020	362,238	377,454
Hamilton Meadows		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,122 including principal and interest, due August 1, 2020	370,653	386,122
Chalmers		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,608 including principal and interest, due March 1, 2021	289,367	300,000
Steinbach Credit Union Open Term Loan		
3.70% floating rate, repayable in monthly instalments of \$7,150 including principal and interest, due October 1, 2035	634,406	1,190,759
Carried forward	<u>4,748,787</u>	<u>5,514,879</u>

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

	2017 \$	2016 \$
Brought forward	4,748,787	5,514,879
Glencoe Limited Term Loan 7.25% fixed rate, repayable in monthly instalments of \$4,914 including principal and interest, due November 1, 2030	509,781	530,947
	5,258,568	6,045,826
Less: Current portion	(1,771,624)	(486,847)
	<u>3,486,944</u>	<u>5,558,979</u>

The long-term debt is secured by registered charges against each of the respective properties, with the exception of the Glencoe Limited Term Loan, which is unsecured and was advanced for the purpose of leasehold improvements at 717 Portage Avenue.

The principal payments required in each of the next five years and thereafter are as follows:

	\$
Year ending March 31, 2018	1,771,624
2019	228,656
2020	768,328
2021	1,565,572
2022	254,094
Thereafter	670,294
	<u>5,258,568</u>

8 Forgivable loan

During the year ended March 31, 2012, New Directions entered into an agreement with the Manitoba Housing and Renewal Corporation (MHRC) to fund the construction of a shelter for sexually exploited youth. Terms of the agreement state that a forgivable loan would be provided to New Directions to fund the construction, and that the loan will be forgiven over 15 years on a monthly basis for every month that the shelter operates as its intended purpose. The forgivable loan bears no interest and is secured by the land the shelter is based on. Prior to expiration of the term, if the land or shelter is leased, sold, conveyed or transferred in whole or in part, to anyone without obtaining prior written approval from MHRC, the full amount of the MHRC loan then outstanding and unpaid becomes immediately payable.

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

As disclosed in note 3, the forgivable loan is treated as a deferred contribution and is being amortized over 25 years, which is the expected life of the underlying asset.

	2017 \$	2016 \$
Balance - Beginning of year	1,333,668	1,394,289
Less: Amount amortized in the current year	<u>(60,621)</u>	<u>(60,621)</u>
Balance - End of year	<u>1,273,047</u>	<u>1,333,668</u>

As at March 31, 2017, \$404,145 of the original loan balance of \$1,515,531 has been forgiven.

9 Net assets internally restricted

	\$	\$
Balance - Beginning of year		
Expenditure of prior internally imposed restricted net assets		244,602
Through general operations	(24,225)	
Through purchases of capital assets	<u>(101,224)</u>	<u>(125,449)</u>
Transferred to unrestricted net assets		<u>119,153</u>
Internally imposed restrictions - current year		
Operations		
Program materials, staffing and participant support		16,627
Capital additions		
Renovations of community facilities and furnishings		<u>140,405</u>
Balance - End of year		<u>157,032</u>

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

10 Province of Manitoba revenues

The major provincial government funding sources are as follows:

	2017 \$	2016 \$
Manitoba Family Services - Child and Family Services	7,959,154	7,999,520
Manitoba Family Services - Community Living disABILITY Services	26,872,662	26,325,178
Manitoba Family Services - Special Needs	551,963	633,810
Children and Youth Opportunities - MB4Youth	1,449,550	1,352,573
Winnipeg Regional Health Authority	2,275,099	2,270,631
Children and Youth Opportunities - Crime Prevention	432,662	445,481
Children and Youth Opportunities - Healthy Child Manitoba	165,200	164,301
General	2,054,321	2,150,941
	<hr/>	
	41,760,611	41,342,435
	<hr/>	

11 Commitments

The future minimum lease payments under the operating leases for office space, office equipment, and vehicles are as follows:

	\$
Year ending March 31, 2018	1,322,165
2019	1,238,650
2020	1,041,363
2021	1,041,395
2022	1,012,924
Thereafter	6,624,774

New Directions has increased the operating line of credit with the Steinbach Credit Union Limited to \$2,000,000 (2016 - \$1,000,000), which was not utilized at March 31, 2017, bearing interest at prime plus 1.0%.

12 Employee pension plans

New Directions has a defined contribution plan providing pension benefits to most of its employees. The expense for the year is \$823,529 (2016 - \$804,559).

New Directions for Children, Youth, Adults and Families Inc.

Notes to Financial Statements

March 31, 2017

13 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$318,000 (2016 - \$320,000) is included within accounts payable.

14 The New Directions Endowment Fund and Opikihiwawin Fund

The New Directions Endowment Fund and Opikihiwawin Fund (Funds) are endowment funds held by The Winnipeg Foundation. The Funds were established with contributions from donors under the agreement that the Funds remain with The Winnipeg Foundation in perpetuity with New Directions receiving annual income distributions. For the year ended March 31, 2017, the Funds distributed \$20,035 (2016 - \$7,978) which is included in other revenues in the Statement of Revenues and Expenses. As at March 31, the fair value of each fund is:

	2017	2016
	\$	\$
New Directions Endowment Fund	189,304	170,578
Opikihiwawin Fund	8,617	8,023

15 Financial instruments

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in New Directions' cash flows, financial position and expenses. This risk arises from differences in the timing and amount of cash flows related to New Directions' liabilities. This risk is not significant to New Directions as all of the debt is at fixed rate terms.

Credit risk

Credit risk is the risk that a financial loss could arise from a counterparty not being able to meet its obligations. New Directions' financial assets that are exposed to credit risk consist of accounts receivable. New Directions performs regular assessments on the collectability of its accounts receivable. This risk is not significant to New Directions as substantially all of the receivables are from the government.

New Directions for Children, Youth, Adults and Families Inc.

Schedule of Operating Expenses

For the year ended March 31, 2017

	2017	2016
	\$	\$
Advertising	13,475	20,812
Amortization	927,405	744,867
Bad debt	6,890	80,919
Clothing	45,867	46,750
Data processing	32,133	33,064
Endowment fund	20,035	7,978
Evaluation	4,928	4,657
Food	504,350	469,570
Grooming	9,686	10,315
Household	25,345	23,027
Insurance	118,285	111,803
Internal and external relations	61,935	70,896
Interest and service charges		
Bank	10,588	11,639
Long-term debt	192,627	162,396
Internet	56,973	56,138
Interpreting services	20,305	12,124
Janitorial	145,530	132,628
Laundry	3,603	8,679
Lease	1,587,257	1,674,286
Medical, dental and optical	10,214	10,125
Memberships and subscriptions	14,252	7,904
Miscellaneous expense	5,405	13,318
Office supplies, postage and printing	252,132	252,140
Participant activities and program material	693,061	699,740
Participant accommodation	9,296	9,814
Participant living expenses	1,096,587	1,080,889
Professional fees	51,816	71,328
Repairs and maintenance	996,411	980,060
Salaries and service fees	39,742,817	37,470,427
Salary benefits	5,415,100	5,168,643
School supplies	10,763	11,520
Special programs	117,475	118,387
Staff education	86,815	103,365
Taxes	109,929	111,004
Telephone	224,298	212,415
Transportation	958,483	871,129
Travel	108,685	125,119
Utilities	199,237	182,066
Total before loss on disposal	53,889,993	51,181,941
Loss on disposal of capital assets	-	58,460
Total operating expenses	53,889,993	51,240,401

