

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

Financial Statements
March 31, 2018



May 24, 2018

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, 2018 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, 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.

PricewaterhouseCoopers LLP

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

Balance Sheet

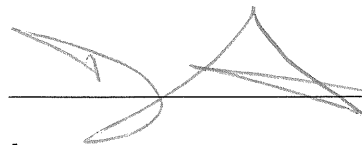
As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	2,156,127	2,028,405
Accounts receivable	3,355,672	2,700,363
Prepaid expenses	397,837	325,813
	<u>5,909,636</u>	<u>5,054,581</u>
Capital assets (note 4)	<u>14,054,884</u>	<u>13,809,440</u>
	<u>19,964,520</u>	<u>18,864,021</u>
Liabilities		
Current liabilities		
Accounts payable	3,243,048	2,179,981
Accrued vacation pay	1,283,062	1,291,287
Deferred contributions (note 5)	405,569	503,078
Deferred tenant inducements	2,331,357	2,557,911
Working capital advances - Province of Manitoba (note 6)	1,997,991	1,997,991
Current portion of obligation under capital lease (note 7)	68,314	-
Current portion of long-term debt (note 7)	317,584	1,771,624
	<u>9,646,925</u>	<u>10,301,872</u>
Obligation under capital lease (note 7)	69,917	-
Long-term debt (note 7)	4,905,599	3,486,944
Other long-term liabilities	639,904	550,860
Forgivable loan (note 8)	<u>1,212,426</u>	<u>1,273,047</u>
	<u>16,474,771</u>	<u>15,612,723</u>
Net Assets		
Net assets invested in capital assets	7,619,275	7,277,825
Net assets internally restricted (note 9)	484,169	157,032
Unrestricted net deficit	<u>(4,613,695)</u>	<u>(4,183,559)</u>
	<u>3,489,749</u>	<u>3,251,298</u>
	<u>19,964,520</u>	<u>18,864,021</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, 2018

	2018 \$	2017 \$
Revenues		
Government of Canada	612,075	554,280
Province of Manitoba (note 10)	44,780,213	41,760,611
Child and Family Services Authorities/Agencies	8,056,913	9,969,234
United Way of Winnipeg	107,427	107,238
Other	1,105,567	1,210,939
	<hr/> 54,662,195	<hr/> 53,602,302
Gain on sale of capital assets	<hr/> 8,250	<hr/> -
	54,670,445	53,602,302
Expenses		
Operating expenses (schedule)	<hr/> 54,431,994	<hr/> 53,889,993
Excess (deficiency) of revenues over expenses	<hr/> 238,451	<hr/> (287,691)

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, 2018

				2018	2017
	Invested in capital assets \$	Internally restricted (Note 9) \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	7,277,825	157,032	(4,183,559)	3,251,298	3,538,989
Excess (deficiency) of revenues over expenses	-	-	238,451	238,451	(287,691)
Amortization	(959,279)	-	959,279	-	-
Amortization of forgivable loan (note 8)	60,621	-	(60,621)	-	-
Internally imposed restrictions transferred to fund operations	-	(12,009)	12,009	-	-
Investment in capital assets (see below)	1,240,108	(50,000)	(1,190,108)	-	-
Transferred to unrestricted	-	(95,023)	95,023	-	-
Transferred to internally restricted	-	484,169	(484,169)	-	-
Balance - End of year	7,619,275	484,169	(4,613,695)	3,489,749	3,251,298
Investment in capital assets consists of					
Purchase of capital assets	1,031,382	(50,000)	(981,382)		
Acquisition of capital leases	177,091	-	(177,091)		
Disposal of capital assets	(3,750)	-	3,750		
Mortgage proceeds	(270,000)	-	270,000		
Mortgage principal repayments	221,123	-	(221,123)		
Loan principal repayments	84,262	-	(84,262)		
	1,240,108	(50,000)	(1,190,108)	-	-

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	238,451	(287,691)
Items not affecting cash		
Amortization	959,279	927,405
Amortization of forgivable loan (note 8)	(60,621)	(60,621)
Gain on sale of capital assets	(8,250)	-
Other long-term liabilities	89,044	32,388
	<hr/> 1,217,903	<hr/> 611,481
Changes in non-cash working capital components	3,446	637,777
	<hr/> 1,221,349	<hr/> 1,249,258
Investing activities		
Purchase of capital assets	(1,031,382)	(366,050)
Sale of capital assets	12,000	-
	<hr/> (1,019,382)	<hr/> (366,050)
Financing activities		
Mortgage proceeds	270,000	-
Capital lease obligation principal repayments	(38,860)	-
Mortgage principal repayments	(221,123)	(209,739)
Loan principal repayments	(84,262)	(577,519)
	<hr/> (74,245)	<hr/> (787,258)
Net increase in cash during the year	127,722	95,950
Cash - Beginning of year	<hr/> 2,028,405	<hr/> 1,932,455
Cash - End of year	<hr/> <hr/> 2,156,127	<hr/> <hr/> 2,028,405

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, 2018

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).

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, 2018

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 current period expense or deferred and recognized in the period the related expense is incurred or 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, obligation under capital lease, 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, 2018

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

			2018	2017
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	1,861,972	-	1,861,972	1,709,372
Buildings	8,628,428	2,694,456	5,933,972	5,709,367
Computer equipment	545,328	364,419	180,909	115,763
Furniture and equipment	543,309	264,807	278,502	292,612
Leasehold improvements	7,190,394	1,833,064	5,357,330	5,866,215
Vehicles	241,836	54,799	187,037	28,834
Computer software	444,675	189,513	255,162	87,277
	19,455,942	5,401,058	14,054,884	13,809,440

The Organization has capital leases under vehicles with a cost of \$177,091 (2017 - nil) and accumulated amortization of \$17,709 (2017 - nil).

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

Notes to Financial Statements

March 31, 2018

5 Deferred contributions

	2018 \$	2017 \$
Balance - beginning of year	503,078	456,982
Add: Amount received in the current year relating to future projects	3,181,408	2,755,723
Less: Amount recognized as revenue in the current year	(3,278,917)	(2,709,627)
	<hr/>	<hr/>
Balance - end of year	405,569	503,078

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

	2018 \$	2017 \$
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	251,155	262,802
Culross Bay		
2.95% fixed rate mortgage, repayable in monthly instalments of \$435 including principal and interest, due February 1, 2020	52,493	56,117
Sanderson Ave		
2.69% fixed rate mortgage, repayable in monthly instalments of \$409 including principal and interest, due February 1, 2022	18,270	22,629
Wakopa Street		
2.95% fixed rate mortgage, repayable in monthly instalments of \$1,410 including principal and interest, due February 1, 2020	170,113	181,857
Belcourt Bay		
3.10% fixed rate mortgage, repayable in monthly instalments of \$824 including principal and interest, due June 1, 2019	126,293	132,186
Aspen Glen		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,156 including principal and interest, due May 1, 2020	269,100	287,609
Bonner		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,730 including principal and interest, due December 1, 2020	221,036	235,754
	<hr/>	<hr/>
Carried forward	1,108,460	1,178,954

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

Notes to Financial Statements

March 31, 2018

	2018 \$	2017 \$
Brought forward	1,108,460	1,178,954
Carroll		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,235 including principal and interest, due February 1, 2021	161,278	171,699
Costello		
2.49% fixed rate mortgage, repayable in monthly instalments of \$1,287 including principal and interest, due December 1, 2021	179,844	190,687
St. Michael		
2.54% fixed rate mortgage, repayable in monthly instalments of \$688 including principal and interest, due June 1, 2022	98,743	104,284
Charing Cross		
2.54% fixed rate mortgage, repayable in monthly instalments of \$1,672 including principal and interest, due June 1, 2022	238,756	252,278
Peters		
2.54% fixed rate mortgage, repayable in monthly instalments of \$1,361 including principal and interest, due June 1, 2022	195,360	206,412
Astbury		
2.54% fixed rate mortgage, repayable in monthly instalments of \$1,437 including principal and interest, due June 1, 2022	206,205	218,026
Burns		
3.19% fixed rate mortgage, repayable in monthly instalments of \$1,546 including principal and interest, due November 1, 2022	213,895	225,457
Brookside		
3.19% fixed rate mortgage, repayable in monthly instalments of \$1,631 including principal and interest, due November 1, 2022	226,793	238,952
Beaverbrook		
3.19% fixed rate mortgage, repayable in monthly instalments of \$2,070 including principal and interest, due November 1, 2022	289,860	305,374
Driftwood		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,082 including principal and interest, due July 1, 2020	346,615	362,238
Hamilton Meadows		
2.65% fixed rate mortgage, repayable in monthly instalments of \$2,122 including principal and interest, due August 1, 2020	354,773	370,653
Chalmers		
2.65% fixed rate mortgage, repayable in monthly instalments of \$1,608 including principal and interest, due March 1, 2021	277,557	289,367
Carried forward	<u>3,898,139</u>	<u>4,114,381</u>

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

Notes to Financial Statements

March 31, 2018

	2018 \$	2017 \$
Brought forward	3,898,139	4,114,381
Fuga		
2.99% fixed rate mortgage, repayable in monthly instalments of \$1,494 including principal and interest, due September 1, 2022	265,120	-
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	572,896	634,406
Glencoe Limited Term Loan		
7.25% fixed rate, repayable in monthly instalments of \$4,914 including principal and interest, due November 1, 2030	487,028	509,781
	<u>5,223,183</u>	<u>5,258,568</u>
Less: Current portion	(317,584)	(1,771,624)
	<u>4,905,599</u>	<u>3,486,944</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, 2019	317,584
2020	860,210
2021	1,660,512
2022	352,571
2023	1,451,447
Thereafter	580,859
	<u>5,223,183</u>

New Directions has capitalized equipment under a capital lease which matures in 2021. The amount of accrued interest related to the capital lease obligation during the year was \$6,451, representing 5.95%.

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

Notes to Financial Statements

March 31, 2018

The following is a schedule of the future minimum lease payments of the capital lease together with the balance of the obligation:

	\$
Year ending March 31, 2019	74,695
2020	65,064
2021	<u>7,270</u>
	147,029
Less: Interest portion	<u>(8,798)</u>
	138,231
Less: Current portion	<u>(68,314)</u>
	<u>69,917</u>

New Directions has a \$2,000,000 operating line of credit with the Steinbach Credit Union Limited, which was not utilized at March 31, 2018, bearing interest at prime plus 1.0%.

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.

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.

	2018 \$	2017 \$
Balance - Beginning of year	1,273,047	1,333,668
Less: Amount amortized in the current year	<u>(60,621)</u>	<u>(60,621)</u>
Balance - End of year	<u>1,212,426</u>	<u>1,273,047</u>

As at March 31, 2018, \$505,180 of the original loan balance of \$1,515,531 has been forgiven.

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

Notes to Financial Statements

March 31, 2018

9 Net assets internally restricted

	\$	\$
Balance - Beginning of year		
Expenditure of prior internally imposed restricted net assets		157,032
Through general operations	(12,009)	
Through purchases of capital assets	(50,000)	(62,009)
		<u>95,023</u>
Transferred to unrestricted net assets		
Internally imposed restrictions - current year		
Operations		
Program materials, staffing and participant support	30,000	
Renovations of community facilities and furnishings	4,618	
Staff training	4,500	39,118
Capital additions		
Renovations of community facilities and furnishings	90,405	
Information technology	354,646	445,051
		<u>484,169</u>

10 Province of Manitoba revenues

The major provincial government funding sources are as follows:

	2018	2017
	\$	\$
Manitoba Family Services - Child and Family Services	9,720,587	7,959,154
Manitoba Family Services - Community Living disABILITY Services	28,273,836	26,872,662
Manitoba Family Services - Special Needs	483,468	551,963
Children and Youth Opportunities - MB4Youth	1,310,881	1,449,550
Manitoba Education - Youth Now	50,000	-
Winnipeg Regional Health Authority	2,139,960	2,275,099
Children and Youth Opportunities - Crime Prevention	452,682	432,662
Children and Youth Opportunities - Healthy Child Manitoba	173,639	165,200
General	2,175,160	2,054,321
	<u>44,780,213</u>	<u>41,760,611</u>

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

Notes to Financial Statements

March 31, 2018

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, 2019	1,320,675
2020	1,176,028
2021	1,174,502
2022	1,135,666
2023	1,026,931
Thereafter	6,301,932

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 \$892,198 (2017 - \$823,529).

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, \$321,000 (2017 - \$318,000) is included within accounts payable.

14 The New Directions Endowment Fund and Opikihawin Fund

The New Directions Endowment Fund and Opikihawin 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, 2018, the Funds distributed \$5,251 (2017 - \$20,035) which is included in other revenues in the Statement of Revenues and Expenses. As at March 31, the fair value of each fund is:

	2018 \$	2017 \$
New Directions Endowment Fund	207,370	189,304
Opikihawin Fund	8,667	8,617

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

Notes to Financial Statements

March 31, 2018

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, 2018

	2018	2017
	\$	\$
Advertising	12,242	13,475
Amortization	959,279	927,405
Bad debt	23,071	6,890
Clothing	44,099	45,867
Data processing	34,281	32,133
Endowment fund	5,251	20,035
Evaluation	1,564	4,928
Food	481,537	504,350
Grooming	72,071	9,686
Household	31,135	25,345
Insurance	123,204	118,285
Internal and external relations	54,203	61,935
Interest and service charges		
Bank	9,420	10,588
Long-term debt	184,358	192,627
Internet	58,846	56,973
Interpreting services	20,122	20,305
Janitorial	158,474	145,530
Laundry	8,181	3,603
Lease	1,526,077	1,587,257
Medical, dental and optical	16,568	10,214
Memberships and subscriptions	18,865	14,252
Miscellaneous expense	1,401	5,405
Office supplies, postage and printing	254,171	252,132
Participant activities and program material	703,432	693,061
Participant accommodation	6,047	9,296
Participant living expenses	1,110,927	1,096,587
Professional fees	63,586	51,816
Repairs and maintenance	861,924	996,411
Salaries and service fees	40,407,822	39,742,817
Salary benefits	5,408,774	5,415,100
School supplies	4,773	10,763
Special programs	84,231	117,475
Staff education	134,686	86,815
Taxes	112,088	109,929
Telephone	230,786	224,298
Transportation	891,141	958,483
Travel	96,580	108,685
Utilities	216,777	199,237
Total operating expenses	54,431,994	53,889,993