

**STEPSTONES FOR YOUTH  
NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2018**

*Signed Copy*

**STEPSTONES FOR YOUTH  
FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
StepStones For Youth

**Opinion**

I have audited the financial statements of StepStones For Youth which comprises the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ending, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of StepStones For Youth as at December 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.

**Basis for Opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jeffrey D. Milgram, CPA, CA, LPA.



**JEFFREY D. MILGRAM PROFESSIONAL CORPORATION**  
Authorized to practise public accounting by  
The Institute of Chartered Professional Accountants of Ontario

**TORONTO, ONTARIO**  
**JUNE 9, 2019**

**STEPSTONES FOR YOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
<u>ASSETS</u>		
<b>CURRENT</b>		
Cash	470,646	243,556
Accounts receivable	3,158	5,558
Government excise tax recoverable	2,245	3,102
Prepays and sundry	<u>3,628</u>	<u>37,636</u>
	<u>479,677</u>	<u>289,852</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT</b>		
Accounts payable	17,725	13,526
<b>DEFERRED</b>		
Deferred contributions pertaining to operations (Note 3)	<u>-</u>	<u>3,000</u>
	17,725	16,526
<b>NET ASSETS</b>		
Unrestricted net assets	<u>461,952</u>	<u>273,326</u>
	<u>479,677</u>	<u>289,852</u>

APPROVED ON BEHALF OF THE BOARD:

 DIRECTOR June 12/19 DATE

 DIRECTOR June 12/19 DATE

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

**STEPSTONES FOR YOUTH**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u> \$	<u>2017</u> \$
BALANCE, beginning of year	273,326	61,003
Excess of revenues over expenses for the year	<u>188,626</u>	<u>212,323</u>
BALANCE, end of year	<u>461,952</u>	<u>273,326</u>

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

**STEPSTONES FOR YOUTH**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$ (Note 7)
<b>REVENUES</b>		
Earned revenue	8,682	13,541
Grants (Note 4)	227,753	278,979
Donations	466,344	308,650
Fundraising	71,001	24,951
Other income	<u>-</u>	<u>479</u>
	<u>773,780</u>	<u>626,600</u>
<b>EXPENSES</b>		
Advertising	1,272	-
Administration	13,064	16,740
Fundraising expenses	21,455	11,558
Insurance	5,013	4,363
Professional fees	13,445	9,087
Salaries and benefits	34,031	19,970
Programming expenses (Note 5)	<u>496,874</u>	<u>352,559</u>
	<u>585,054</u>	<u>414,277</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>		
<b>FOR THE YEAR</b>	<u>188,626</u>	<u>212,323</u>

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

**STEPSTONES FOR YOUTH**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Cash provided by operations		
Excess revenues over expenses for the year	188,626	212,323
Adjustment:		
Decrease in deferred revenue	<u>(3,000)</u>	<u>(4,368)</u>
	185,626	207,955
Net change in other current assets and liabilities	<u>41,464</u>	<u>(30,453)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>227,090</u>	<u>177,502</u>
<b>NET INCREASE IN CASH</b>	227,090	177,502
<b>CASH, beginning of year</b>	<u>243,556</u>	<u>66,054</u>
<b>CASH, end of year</b>	<u>470,646</u>	<u>243,556</u>

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



**STEPSTONES FOR YOUTH**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. Nature of Operations**

**Organization**

StepStones For Youth was incorporated June 24, 2005 as a registered Canadian charitable organization under the Ontario Business Corporations Act and is therefore exempt from income tax in Canada under Section 149(1)(f) of the Income Tax Act of Canada. In fiscal 2016, the Organization applied for and received permission from the Canada Revenue Agency for association with Pelletier Youth in Transition (PYIT), an organization from whom funding is received annually (Note 4). Though associated with PYIT, these non-consolidated financial statements have not been consolidated with the financial results and operations of PYIT's fiscal year end of March 31, 2018 and are therefore labeled as "non-consolidated".

**Mission**

StepStones for Youth is an innovative and dynamic charitable organization that provides high-level skill development support to children and youth who are economically disadvantaged and have a history of trauma and abuse. StepStones operates an overnight summer camp program and a co-ed mentorship and educational support program for youth transitioning out of the foster care system and their family home.

**Accounting Framework**

Accounting Framework - The corporation prepares its non-consolidated financial statements in accordance with the Chartered Professional Accountants of Canada (CPA, Canada) (formerly the Canadian Institute of Chartered Accountant's (CICA)) Handbook, Part III, Canadian accounting standards for not-for-profit organizations (ASNPO).

**2. Summary of Significant Accounting Policies**

The accounting policies of the organization are in accordance with Canadian accounting standards for not-for-profit organizations applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

**Basis of Accounting**

These non-consolidated financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

STEPSTONES FOR YOUTH  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018

2. Summary of Significant Accounting Policies – Continued

Revenue Recognition

The Organization follows the deferral method of accounting for operating contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Revenues generated from programs and services are recognized as revenue when earned and the program takes place.

Revenues generated from fundraising events are recognized as revenue when received.

Other charity assistance related to current expenditures is reflected in the accounts as a revenue item in the current year. Assistance awarded for use in a future period is deferred until such time as the funded event takes place.

Other charity assistance and grant income related to the purchase of capital assets is deferred and brought into revenue in the year of the capital expenditure or in proportion with the amortization of the capital asset to expense, as applicable.

Revenues generated from sponsorships and operating grants are recognized as revenue as received or receivable.

Estimates

The non-consolidated financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. This requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. During the year, management exercised its judgment in the estimation of interest receivable, prepaid expenses, and certain liability accruals.

Income Tax Status

The Organization is registered as a charitable organization under the Income Tax Act ("the Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**STEPSTONES FOR YOUTH**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. Summary of Significant Accounting Policies – Continued**

**Donated Material and Services**

Donations of materials and services which are not normally purchased by the organization are not recorded in the accounts, accordingly, materials and services recorded as donations pertain to those materials and services essential to the organization's operations. Donated materials, facilities, and services on which there is no restricted use by the organization, are recorded at their fair market value.

The work of the Organization is also heavily dependent on the voluntary service of its members. Since these services are not normally purchased by the Organization, and because of the difficulty of determining their fair value, the value of donated volunteer services is not recognized in these statements.

**Financial Assets and Financial Liabilities**

**(i) Measurement of financial instruments**

The Organization 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.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statements of operations in the period incurred. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**(ii) Impairment**

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, bankruptcy or other financial indicators indicating distress relating to the item valued.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

**STEPSTONES FOR YOUTH**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. Summary of Significant Accounting Policies – Continued**

**Financial Assets and Financial Liabilities – Continued**

**(ii) Impairment – Continued**

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- a) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- b) the amount that could be realized by selling the asset at the statement of financial position date; and
- c) the amount the Organization expects to realize by exercising its rights to any collection action less the costs necessary to exercise those actions.

When the Organization determines an adjustment to the carrying value is required, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

**3. Deferred Contributions**

	<u>2018</u>	<u>2017</u>
	\$	\$
Deferred contributions are comprised of:		
Restricted donations – project	—	<u>3,000</u>
	<u>—</u>	<u>3,000</u>

**STEPSTONES FOR YOUTH**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. Grants**

The Organization receives significant funding from Pelletier Youth in Transition (“Pelletier”), an associated organization with a similar mission and goals (Note 2). In fiscal 2018, 26% of the total revenue received by StepStones was received from Pelletier (2017 – 32%; 12/2016 – 30%). As programming is flexible and management anticipates additional sources of future funding, the Organization’s management does not consider StepStones to be economically dependent on Pelletier for continued support of key programs undertaken by the Organization.

In fiscal 2018, Stepstones and Pelletier entered into a funding agreement whereby Pelletier committed to funding the operations of Stepstones in the amount of \$200,000 annually for the year 2018 to 2020 inclusive. In addition, Pelletier has agreed to a matching of donation revenue, under certain conditions, to a maximum value of \$50,000 annually. There are no restrictions imposed by Pelletier on the funding provided other than it be directed towards ongoing programs.

	<u>2018</u>	<u>2017</u>
	\$	\$
Grants are comprised of:		
Government of Canada – wage subsidies	14,350	18,896
Private - corporate	13,403	-
Pelletier Youth in Transition funding	<u>200,000</u>	<u>260,083</u>
	<u>227,753</u>	<u>278,979</u>

**5. Programming Expenses**

	<u>2018</u>	<u>2017</u>
	\$	\$
Programming Expenses are comprised of:		(Note 7)
Wages and benefits	311,508	210,060
Camp program – food/accommodation/transportation	21,527	12,111
Mentorship program	28,945	29,138
Arrabon program funding	<u>135,000</u>	<u>101,250</u>
	<u>496,980</u>	<u>352,559</u>

**STEPSTONES FOR YOUTH**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Risk**

**General**

The Organization holds financial assets in the form of cash and accounts receivable. It is management's opinion that the fair value of these financial instruments approximates their stated values due to the short term to maturity for the items held at year end.

The Organization also holds financial liabilities in the form of accounts payable and accrued liabilities. As with the financial assets, fair value and stated value approximate each other at year end due to the short term to maturity of the liabilities and debts held at December 31, 2018.

**Liquidity**

The Organization manages its liquidity risk by monitoring actual and projected cash flows, from general operations, productions and fundraising events, to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

**Other**

It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from the financial instruments held by the Organization.

**7. Comparative Figures**

Current year's figures for the 2017 fiscal year have been classified to conform to the current year's presentation format.