Financial statements

Operation Come Home

December 31, 2016

Building a better working world

Independent auditors' report

To the Members of
Operation Come Home

We have audited the accompanying financial statements of **Operation Come Home**, which comprise the balance sheet as at December 31, 2016, 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.

Auditors' 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 auditors' 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 auditors consider 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Operation Come Home** as at December 31, 2016 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.

Other matter

The financial statements of **Operation Come Home** for the year ended December 31, 2015 were audited by Collins Barrow Ottawa LLP, who expressed an unmodified opinion on those statements dated May 5, 2016.

Ernst & Young LLP

Ottawa, Canada
June 7, 2017

Chartered Professional Accountants
Licensed Public Accountants

Operation Come Home

Balance sheet

As at December 31

	2016	2015
	$	$
Assets		
Current		
Cash	**45,194**	15,840
Short-term investments *[note 2]*	**115,036**	15,036
Accounts receivable *[note 3]*	**85,384**	97,465
Prepaid expenses	**11,606**	2,652
Total current assets	**257,220**	130,993
Restricted investment *[note 4]*	**10,000**	10,000
Tangible capital assets, net *[note 5]*	**92,720**	80,809
	359,940	221,802
Liabilities and net assets		
Current		
Bank indebtedness *[note 6]*	**—**	64,338
Accounts payable and accrued liabilities	**51,062**	32,830
Current portion of loan payable *[note 10]*	**5,126**	—
Deferred grant funding *[note 7]*	**124,004**	9,658
Total current liabilities	**180,192**	106,826
Loan payable *[note 10]*	**7,430**	—
Deferred contributions related to tangible capital assets *[note 8]*	**51,007**	35,986
Deferred lease inducement *[note 9]*	**—**	4,833
Total liabilities	**238,629**	147,645
Commitments *[note 11]*		
Net assets		
Invested in tangible capital assets	**41,713**	44,823
Unrestricted	**79,598**	29,334
Total net assets	**121,311**	74,157
	359,940	221,802

See accompanying notes

On behalf of the Board:

Director

Director

Operation Come Home

Statement of changes in net assets

Year ended December 31

	Invested in tangible capital assets	Unrestricted	2016 total	2015 total
	$	$	$	$
Balance, beginning of year	**44,823**	**29,334**	**74,157**	77,076
Excess (deficiency) of revenue over expenses for the year	**(34,635)**	**81,789**	**47,154**	(2,919)
Acquisition of tangible capital assets	**46,546**	**(46,546)**	**—**	—
Contributions received related to tangible capital assets	**(34,441)**	**34,441**	**—**	—
Amortization of deferred contributions related to tangible capital assets	**19,420**	**(19,420)**	**—**	—
Balance, end of year	**41,713**	**79,598**	**121,311**	74,157

See accompanying notes

Operation Come Home

Statement of operations

Year ended December 31

	2016	2015
	$	$
Revenue		
Grants *[note 8]*	**884,598**	942,392
Donations and fundraising	**427,955**	445,865
	1,312,553	1,388,257
Expenses		
Advertising and promotion	**6,641**	6,806
Automobile	**8,619**	12,187
Bank charges and interest	**8,695**	7,113
Fundraising costs	**14,501**	17,688
Insurance	**2,674**	13,827
Office supplies	**20,976**	17,656
Professional and membership dues	**1,398**	2,843
Professional fees	**98,879**	76,854
Programming and supplies	**47,119**	28,633
Rent and utilities *[note 9]*	**190,544**	208,548
Repairs and maintenance	**6,028**	1,813
Salaries and employee benefits	**633,209**	698,915
Telecommunications	**11,023**	9,789
Travel	**3,771**	6,857
Youth programming	**193,551**	280,861
Youth transport	**944**	1,104
	1,248,572	1,391,494
Excess (deficiency) of revenue of expenses from operations before the following	**63,981**	(3,237)
Other income (expense)		
Amortization of tangible capital assets	**(34,635)**	(27,096)
Property tax rebate	**17,698**	26,578
Interest	**110**	836
	(16,827)	318
Excess (deficiency) of revenue over expenses for the year	**47,154**	(2,919)

See accompanying notes

Operation Come Home

Statement of cash flows

Year ended December 31

	2016	2015
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**47,154**	(2,919)
Add (deduct) items not involving cash		
Amortization of tangible capital assets	**34,635**	27,096
Amortization of deferred contributions related to tangible capital assets	**(19,420)**	(14,873)
Amortization of deferred lease inducement	**(4,833)**	(14,500)
	57,536	(5,196)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**12,081**	(77,601)
Prepaid expenses	**(8,954)**	510
Accounts payable and accrued liabilities	**18,232**	20,896
Deferred grant funding	**114,346**	9,658
Cash provided by (used in) operating activities	**193,241**	(51,733)
Investing activities		
Acquisition of tangible capital assets	**(46,546)**	(25,818)
Grants received to purchase tangible capital assets	**34,441**	29,242
Cash provided by (used in) investing activities	**(12,105)**	3,424
Financing activities		
Proceeds from loan	**15,775**	—
Principal repayments on loan	**(3,219)**	—
Cash provided by financing activities	**12,556**	—
Net increase (decrease) in cash during the year	**193,692**	(48,309)
Cash and cash equivalents (bank indebtedness), beginning of year	**(33,462)**	14,847
Cash and cash equivalents (bank indebtedness), end of year	**160,230**	(33,462)
Cash and cash equivalents consist of		
Cash	**45,194**	15,840
Short-term investments	**115,036**	15,036
Bank indebtedness	**—**	(64,338)
	160,230	(33,462)

See accompanying notes

Notes to financial statements

December 31, 2016

1. Summary of significant accounting policies

Operation Come Home [the "Organization"] is a not-for-profit organization incorporated without share capital under the laws of Canada and is dedicated to helping youth on the streets in the Ottawa area. The Organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for profit organizations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and as adjustments become necessary, they are reported in the period in which they become known.

Significant estimates include assumptions used in estimating the measurement and collectability of accounts receivable, the fair value of financial instruments, the useful lives and related amortization of tangible capital assets, provisions for accrued liabilities, and the portion of government grants earned.

Financial instruments

Financial instruments are financial assets or liabilities of the Organization where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions, if any.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets and liabilities measured at amortized cost include cash, short-term investments, bank indebtedness and accounts payable and accrued liabilities.

There are no financial assets or financial liabilities measured at fair value.

Notes to financial statements

December 31, 2016

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in operations .The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously and it does not exceed original cost. The amount of the reversal is recognized in operations.

Transaction costs

The Organization recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash and cash equivalents

Cash and cash equivalents disclosed include bank overdrafts, with balances that fluctuate frequently from being positive to overdrawn, and temporary investments, with a maturity period of three months or less from the date of acquisition.

Term deposits that the Organization cannot use for current transactions because they are pledged as security are excluded from cash and cash equivalents.

Tangible capital assets

Tangible capital assets are accounted for at cost. Amortization is based on their estimated useful lives using the following methods and rates:

Computer hardware	30% declining balance
Furniture and equipment	20% declining balance
Leasehold improvements	Straight-line, over 5 years
Security system	20% declining balance
Signage	30% declining balance
Software	30% declining balance
Vehicle	30% declining balance

In the year of acquisition, half of the normal amortization is recorded for all tangible capital assets, except leasehold improvements.

Lease inducements

The benefits of lease inducements, which consist of costs paid by landlords for leasehold improvements and periods of free rent, nominal or reduced rents during the lease term, are aggregated and amortized on a systematic basis into rent and occupancy costs over the term of the lease. This results in a consistent annual rent expense before realty taxes and operating expenses.

Notes to financial statements

December 31, 2016

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

Contributed materials and services

Volunteers contribute a significant number of hours each year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Short-term investments

Short-term investments are valued at amortized cost and consist of a redeemable guaranteed investment certificate of $100,000 [2015 – nil], which matures on October 4, 2017 and bears interest at 0.9%, and mutual funds of $15,036 [2015 – $15,036]. As at December 31, 2016, the mutual funds have a market value of $22,703 [2015 – $21,822].

3. Accounts receivable

	2016	**2015**
	$	$
HST receivable	**61,136**	29,307
Grants receivable	**24,173**	68,083
Accrued interest receivable	**75**	75
	85,384	97,465

4. Restricted investment

The restricted investment is a redeemable guaranteed investment certificate that matures in July 2017 [2015 – July 2016] and bears interest at 0.5% [2015 – 0.7%] per annum. Upon maturity, the investment will be renewed into another guaranteed investment certificate. The use of this investment is restricted by the bank as it is held as security for overdraft protection on the Organization's operating account.

Notes to financial statements

December 31, 2016

5. Tangible capital assets

	2016			2015
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
	$	$	$	$
Computer hardware	**100,279**	**81,438**	**18,841**	26,915
Furniture and equipment	**79,705**	**60,853**	**18,852**	18,569
Leasehold improvements	**69,830**	**54,718**	**15,112**	29,078
Security system	**2,000**	**1,759**	**241**	302
Signage	**8,830**	**6,226**	**2,604**	3,255
Software	**20,854**	**19,573**	**1,281**	1,830
Vehicle	**42,105**	**6,316**	**35,789**	860
	323,603	**230,883**	**92,720**	80,809

6. Credit facility

The Organization has an authorized line of credit of $120,000, with interest at the bank's prime rate plus 1.5%. As at December 31, 2016, $120,000 [2015 – $70,393] of this line of credit remained unused. As at December 31, 2015, the remaining bank indebtedness balance is a result of outstanding cheques at year-end.

7. Deferred grant funding

Deferred grant funding represents contributions received from various grants, which have been received but not yet used during the year. Changes in the deferred grant funding balance during the year are as follows:

	2016	2015
	$	$
Balance, beginning of year	**9,658**	—
Amount received during the year	**369,076**	286,884
Amount recognized as revenue in the year	**(254,730)**	(277,226)
Balance, end of year	**124,004**	9,658

8. Deferred contributions related to tangible capital assets

Deferred contributions related to tangible capital assets represent the unamortized amount of grants contributed to the Organization for the acquisition of tangible capital assets. Changes in the deferred contributions balances during the year are as follows:

	2016 $	2015 $
Balance, beginning of year	**35,986**	21,617
Contributions received in the year	**34,441**	29,242
Amount amortized to revenue in the year	**(19,420)**	(14,873)
Balance, end of year	**51,007**	35,986
Composed of		
Contributions expended to acquire capital assets – unamortized balance	**51,007**	31,914
Contributions not yet expended	**—**	4,072
	51,007	35,986

The amount amortized in the current year is included in grants revenue.

9. Deferred lease inducement

	2016 $	2015 $
Balance, beginning of year	**4,833**	19,333
Amortization	**(4,833)**	(14,500)
Balance, end of year	**—**	4,833

The amount amortized in the current year is a reduction in rent expense.

Notes to financial statements

December 31, 2016

10. Loan payable

	2016	2015
	$	$
Loan payable, repayable in monthly instalments of $488, bearing interest at 7.18%, and maturing on April 5, 2019	**12,556**	—
Less: current portion	**5,126**	—
	7,430	—

Principal repayments during the next three years are as follows:

	$
2017	5,126
2018	5,506
2019	1,924
	12,556

11. Commitments

The Organization renewed the lease for its premises located at 150 Gloucester Street, Ottawa, Ontario during the year. The lease expired on April 30, 2016 and was renewed beginning May 1, 2016 for a five-year term to April 30, 2021. Future minimum lease payments (pre-tax) over the next five years are as follows:

	$
2017	167,500
2018	167,500
2019	167,500
2020	167,500
2021	55,840
	725,840

12. Contribution agreements

Contributions received from government agencies may be subject to audit under the terms and conditions of the contribution agreement. Should an audit reveal that any of the expenses of the project are not in accordance with funding guidelines or should any unspent funds remain at the end of the project, the funder may require the Organization to reimburse a portion of the funds advanced. No claim for reimbursement has been made to date and management is of the opinion that the amount of any possible claim cannot be anticipated at this time. No provision for reimbursement of funds has been made in the financial statements. In the event any sum has to be reimbursed, it will be treated as a current period expense.

13. Financial instruments – risks and uncertainties

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at December 31, 2016.

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. The Organization mitigates its credit risk by placing its cash with major financial institutions. The institute routinely assesses the financial strength of its contributors and establishes an allowance for doubtful accounts based on credit risk applicable to particular contributors, historical and other information.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its bank indebtedness and accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk on its credit facilities and investments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization's revenue and expenses as well as its financial instruments are in Canadian currency. Consequently, the Organization is not exposed to foreign exchange fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate price risk on its investments that accumulate interest at a fixed rate. The Organization is also exposed to interest rate cash flow risk on its credit facility.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to significant other price risk.

Change in risk exposures

There have been no significant changes in the Organization's risk exposures from fiscal 2015.

Notes to financial statements

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14. Comparative figures

The Organization has reclassified certain prior year comparative figures to conform to the current year's presentation.