

YOUTHNET

(A Charity registered in Bermuda)

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED

JUNE 30, 2017

YOUTHNET
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
YouthNet,

We have audited the accompanying financial statements of YouthNet (the "Charity"), which comprise the statement of financial position as at June 30, 2017 and the related statements of operations and changes in fund surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 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 Charity'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 Charity'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.

Basis for Qualified Opinion

As is common with many charitable organizations, the Charity derives its revenues from contributions (donations), the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these receipts was limited to amounts recorded in the records of the Charity and we were unable to determine whether any adjustments might be necessary to cash and cash equivalents, contribution revenues, excess of revenues over expenses, or fund surplus.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which might have been required had we been able to satisfy ourselves with respect to the completeness of the revenues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of YouthNet as of June 30, 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.

A handwritten signature in cursive script that reads 'Mazars Limited'.

CHARTERED PROFESSIONAL ACCOUNTANTS
Hamilton, Bermuda
October 31, 2017

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YOUTHNET
(A Charity registered in Bermuda)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017
(Expressed in Bermuda Dollars)

| | Note | June 30 2017 \$ | June 30 2016 \$ |
|---|------|-----------------------|-----------------------|
| ASSETS: | | | |
| Current assets | | | |
| Cash and cash equivalents | | 19,917 | 11,917 |
| Contributions receivable | 3 | 45,000 | 20,000 |
| Prepayments | | 4,546 | 1,217 |
| Total current assets | | 69,463 | 33,134 |
| Office and computer equipment, net | 4 | 1,798 | 2,217 |
| Total assets | | 71,261 | 35,351 |
| LIABILITIES AND FUND SURPLUS: | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5 | 10,350 | 17,517 |
| Deferred contributions | 3 | 40,000 | - |
| Total liabilities | | 50,350 | 17,517 |
| Fund surplus | | | |
| General fund | | 7,988 | 4,911 |
| Endowment restricted fund | | 12,923 | 12,923 |
| Total fund surplus | | 20,911 | 17,834 |
| Total liabilities and fund surplus | | 71,261 | 35,351 |

The accompanying notes should be read in conjunction with these financial statements

YOUTHNET
STATEMENT OF OPERATIONS AND CHANGES IN FUND SURPLUS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Bermuda Dollars)

| | Note | General Fund \$ | Endowment Fund \$ | June 30 2017 \$ | June 30 2016 \$ |
|--|------|--------------------|----------------------|-----------------------|-----------------------|
| REVENUES: | | | | | |
| Corporate contributions | 3 | 334,529 | - | 334,529 | 318,292 |
| Fundraising events | | 70,740 | - | 70,740 | 151,764 |
| Government contributions | | 27,500 | - | 27,500 | 26,250 |
| Contributions-in-kind | 3 | 12,000 | - | 12,000 | 12,000 |
| Non-corporate unrestricted contributions | | 11,593 | - | 11,593 | 24,873 |
| Restricted contributions | | - | - | - | 2,000 |
| Interest income | | - | - | - | 1 |
| Total revenues | | 456,362 | - | 456,362 | 535,180 |
| EXPENSES: | | | | | |
| Salaries and benefits | 5 | 303,624 | - | 303,624 | 324,710 |
| Rent and office related | 7 | 50,005 | - | 50,005 | 82,325 |
| Professional fees | 3 | 30,400 | - | 30,400 | 31,073 |
| Communications, consulting and marketing | | 29,293 | - | 29,293 | 41,664 |
| Fundraising events | | 22,723 | - | 22,723 | 39,773 |
| Mentor programs and supervisors | | 13,866 | - | 13,866 | 6,083 |
| Amortization of office equipment | 4 | 2,024 | - | 2,024 | 1,624 |
| Professional development | | 1,350 | - | 1,350 | 3,292 |
| Total expenses | | 453,285 | - | 453,285 | 530,544 |
| Excess of revenues over expenses | | 3,077 | - | 3,077 | 4,636 |
| Fund surplus, beginning of period | | 4,911 | 12,923 | 17,834 | 13,198 |
| Fund surplus, end of period | | 7,988 | 12,923 | 20,911 | 17,834 |

The accompanying notes should be read in conjunction with these financial statements

YOUTHNET
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(Expressed in Bermuda Dollars)

| | June 30 2017 \$ | June 30 2016 \$ |
|--|-----------------------|-----------------------|
| OPERATING ACTIVITIES: | | |
| Excess of revenues over expenses | 3,077 | 4,636 |
| Adjustments to excess of revenues over expenses for the year to net cash provided by (applied to) operating activities: | | |
| Amortization of office equipment | 2,024 | 1,624 |
| Changes in non-cash working capital items: | | |
| Contributions receivable | (25,000) | 32,973 |
| Other receivables | - | 308 |
| Prepayments | (3,329) | 18 |
| Accounts payable and accrued liabilities | (7,167) | (1,905) |
| Deferred contributions | 40,000 | (52,510) |
| Cash and cash equivalents provided by (applied to) operating activities | 9,605 | (14,856) |
| INVESTING ACTIVITIES: | | |
| Purchase of office equipment | (1,605) | (1,099) |
| Cash and cash equivalents applied to investing activities | (1,605) | (1,099) |
| Increase (decrease) in cash and cash equivalents | 8,000 | (15,955) |
| Cash and cash equivalents - beginning of year | 11,917 | 27,872 |
| Cash and cash equivalents - end of year | 19,917 | 11,917 |

The accompanying notes should be read in conjunction with these financial statements

1. **General**

YouthNet (the "Charity") was established in 1995 and became a registered charitable organization under "The Charities Act, 1978" in March 1996. YouthNet is a school based mentoring programme, its mission is "Empowering students to make positive life choices through school based mentoring". Its mentors are volunteers from the business sector, seniors, high schools and the community who commit to spending one hour per week with a student in their school, and who serve as additional role models and friends.

On January 13, 2016, the Charity was incorporated as a local company under the Companies Act 1981.

2. **Significant Accounting Policies**

Basis of preparation and estimates

The accompanying financial statements of the Charity have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which have general application in Bermuda. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the reporting period. Actual results could differ from these estimates. The Charity's significant accounting policies are summarized as follows:

Fund accounting

The Charity follows the restricted fund method of accounting under which its operations are reported as follows:

- The General Fund represents the portion of expendable funds which are available for support of charitable operations.
- The Endowment Fund represents invested funds that provide an ongoing source of funding to support the Charity's activities and strengthen its financial position.

Cash and cash equivalents

For the purpose of the statements of cash flows, the Charity considers deposits with an original maturity of three months or less to be cash equivalents.

Financial instruments

The Charity recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized where the rights to receive cash flows from the asset have expired. Financial liabilities are derecognized when the obligation(s) specified in the contract are discharged, cancelled, or upon expiry. Financial assets consist of cash and cash equivalents and contributions receivable. Financial liabilities include accounts payable and accrued liabilities.

2. Significant Accounting Policies *(continued)*

Financial instruments (continued)

The Charity initially measures its financial assets originated or acquired and financial liabilities issued or assumed in an arm's length transaction at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Charity subsequently measures its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.

Office and computer equipment

Office and computer equipment, including website costs, are recorded at cost less amortization, except for office equipment donated to the Charity, which is recorded at fair market value at the time of donation. Contributions of office and computer equipment are deferred and released to revenues over the useful life of the relevant asset. The Charity has adopted a straight-line amortization policy on its assets applied over an estimated useful life of three years.

Revenue Recognition and Expenses

Restricted contributions relating to general operations, including mentor programs, are recognized as revenue of the General Fund in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Other sources of income and expenses are recorded on the accruals basis.

Donated services

Donated services are recorded at fair market value where the fair market value of the service can be reasonably estimated. The value of some donated services such as volunteer efforts cannot be reasonably estimated and therefore are not recorded in the financial statements.

3. Information on Contribution Activity

Cash Contributions receivable and deferred relating to the General Fund

In June 2017, the Charity was granted \$20,000, included as contributions receivable as at June 30, 2017, from the Government of Bermuda (Ministry of Education). This amount was received in July 2017.

In June 2017, the Charity was granted \$25,000, included as contributions receivable as at June 30, 2017, from the Government of Bermuda (Bermuda Community Foundation). This amount was received in July 2017.

3. Information on Contribution Activity *(continued)*

In May 2016, the Charity was granted \$20,000, included as contributions receivable as at June 30, 2016, from the Government of Bermuda (Ministry of Education). This amount was received in July 2016.

During the fiscal year, the Charity received two donations totaling \$40,000 with grant periods beginning after June 30, 2017. The Charity has deferred these grants to the year ended June 30, 2018.

Principle supporters

The Charity's principle supporters together with government, corporate and individual donors continue to support operations by way of contributions. During the year ended June 30, 2017 seven corporate donors accounted for \$177,500 or 53% of the total corporate contributions of the General Fund (2016: seven corporate donors accounted for \$204,500 or 64% of the total corporate contributions of the General Fund).

Contributions-in-kind

For the year ended June 30, 2017, the General Fund reflects audit fees of \$12,000 (2016 - \$12,000) as contributions-in-kind. The matching expense has been included in professional fees.

4. Office and Computer Equipment

Office and computer equipment as at June 30, 2017 comprises equipment and website costs with a cost of \$39,443 (2016 - \$37,838), accumulated amortization of \$37,645 (2016 - \$35,621), and a net book value of \$1,798 (2016 - \$2,217).

5. Pension Plan Disclosures and Government of Bermuda

The Charity has in place a defined contribution pension plan on behalf of its employees, which is administered by Bermuda Life Insurance Company Limited. The plan covers all full-time employees who have completed three months of service. Costs incurred by the Charity in respect of the pension plan during the year ended June 30, 2017 were \$12,369 (2016 - \$10,744).

Included in accounts payable and accrued liabilities at June 30, 2017 is payroll tax and social insurance of \$3,948 (2016 - \$6,406) owing to the Government of Bermuda.

6. Financial Instruments Disclosures

Liquidity risk

Liquidity risk is the risk that the Charity will not be able to meet its financial obligations as they fall due. As at June 30, 2017 and 2016, the Charity's accounts payable and accrued liabilities have contractual maturities of 6 months or less.

Credit risk

Credit risk is the risk that issuers of securities owned by the Charity will default, or other parties which owe the Charity money will not pay. The Charity minimizes this risk by adhering to a conservative investment strategy, by maintaining sound credit and collection policies, and by providing for any amounts deemed uncollectible. The carrying value of contributions receivable are considered a reasonable approximation of fair value.

6. Financial Instruments Disclosures *(continued)*

Interest rate risk

The Charity is exposed to interest rate risk relating to its cash. A 50-basis point change in rates would not have a material effect on results of the Charity.

7. Operating Lease commitments

During March 2016, the Charity signed a new lease agreement with Sterling Management (1985) Limited for seven offices on the 2nd floor of Sterling House, 16 Wesley Street, Hamilton, Bermuda. The term of the lease is from July 1, 2016 to June 29, 2018 and a rental fee of \$2,617 per month is payable on the 1st of each month plus a share of cleaning charges estimated at \$230 per month. The Charity's future minimum lease payments under its operating lease, including cleaning charges, are approximately \$34,160 for the year ending June 30, 2018.

During June 2014, the Charity signed a sublease agreement with Greenrock for one office on the 2nd floor of Sterling House, 16 Wesley Street, Hamilton, Bermuda. The term of the sublease was from July 1, 2014 to June 30, 2015 and a rental fee of \$425 per month was payable on the 1st of each month. This agreement was renewed until June 30, 2018 with a rental fee of \$350 per month.

8. Subsequent events

There have been no material subsequent events identified up to the date of issuance of these financial statements.