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**“NEW LIFE” GIRLS’ HOME (CANADA)**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Members  
"New Life" Girls' Home (Canada)  
CONSECON  
Ontario

### *Report on the Financial Statements*

We have audited the accompanying financial statements of "New Life" Girls' Home (Canada), which comprise the statement of financial position as at December 31, 2012 and the statements of equity, operations 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 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 Organization'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 qualified audit opinion.

### *Basis for Qualified Opinion*


As is common with many charitable organizations, the Organization derives part of its income from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of "New Life" Girls' Home (Canada) as at December 31, 2012 and its financial performance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Other Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Organization adopted the Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations, equity and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information and as such it is unaudited.

  
NORTON McMULLEN & CO. LLP  
Chartered Accountants, Licensed Public Accountants

MARKHAM, Canada  
July 8, 2013

DAVID J. NORTON, CPA, CA, LPA  
WILLIAM L. McMULLEN, CPA, CA, LPA  
JOHN C. KARRAM, CPA, CA, LPA  
RODNEY J. RUSSELL, CPA, CA, LPA  
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PAUL W. McMULLEN, CPA, CA, LPA  
MARK D. POTTER, CPA, CA, LPA

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**"NEW LIFE" GIRLS' HOME (CANADA)****STATEMENT OF FINANCIAL POSITION**

As at December 31, 2012 2011 January 1,  
(unaudited) 2011  
(unaudited)

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**ASSETS****Current**

Cash	\$ 39,909	\$ 28,761	\$ 25,659
HST/GST receivable	7,745	6,003	3,158
Prepaid expenses	<u>5,507</u>	<u>2,170</u>	<u>1,985</u>
	\$ 53,161	\$ 36,934	\$ 30,802

**Capital Assets (Note 4)**

<u>820,896</u>	<u>829,031</u>	<u>844,536</u>
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<u>\$ 874,057</u>	<u>\$ 865,965</u>	<u>\$ 875,338</u>
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**LIABILITIES****Current**

Accounts payable and accrued liabilities	\$ 19,087	\$ 10,220	\$ 16,564
Current portion of long-term debt	<u>9,138</u>	<u>8,515</u>	<u>5,573</u>
	\$ 28,225	\$ 18,735	\$ 22,137

**Long-term debt (Note 5)**

<u>\$ 342,204</u>	<u>\$ 351,342</u>	<u>\$ 357,847</u>
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**EQUITY**

<u>503,628</u>	<u>495,888</u>	<u>495,354</u>
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<u>\$ 874,057</u>	<u>\$ 865,965</u>	<u>\$ 875,338</u>
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Approved by the Board:

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See accompanying notes

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**"NEW LIFE" GIRLS' HOME (CANADA)**

**STATEMENT OF EQUITY**

For the year ended December 31,

**2012**

2011  
(unaudited)

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<b>BALANCE</b> – Beginning – restated (Note 2)	<b>\$ 495,888</b>	\$ 495,354
Net income	<u>7,740</u>	<u>534</u>
<b>BALANCE</b> – Ending	<b><u>\$ 503,628</u></b>	<b><u>\$ 495,888</u></b>

See accompanying notes

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## "NEW LIFE" GIRLS' HOME (CANADA)

### STATEMENT OF OPERATIONS

For the year ended December 31,

2012

2011  
(unaudited)

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#### REVENUE

Contributions	\$ 343,921	\$ 292,213
Fees	40,180	38,612
Interest and other income	1,449	1,209
	<u>\$ 385,550</u>	<u>\$ 332,034</u>

#### EXPENSES

Wages and benefits	\$ 238,402	\$ 211,612
House and occupancy costs	37,888	20,422
Loan interest	25,696	27,877
Administration	20,751	17,006
Amortization	18,908	17,753
Vehicle and travel	14,881	14,925
Operating costs	9,885	8,771
Support	3,192	1,569
Fundraising	2,801	6,996
Bank charges and interest	2,154	2,958
Gifts	1,792	534
Ministry	1,460	1,077
	<u>\$ 377,810</u>	<u>\$ 331,500</u>

#### NET INCOME

	<u>\$ 7,740</u>	<u>\$ 534</u>
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## "NEW LIFE" GIRLS' HOME (CANADA)

### STATEMENT OF CASH FLOWS

For the year ended December 31,

2012

2011  
(unaudited)

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#### CASH WAS PROVIDED BY (USED IN):

##### OPERATING ACTIVITIES

Net income	\$ 7,740	\$ 534
Items not affecting cash		
Amortization	<u>18,908</u>	<u>17,753</u>
	<u>\$ 26,648</u>	<u>\$ 18,287</u>
Net (increase) decrease in non-cash working capital balances:		
HST/GST receivable	\$ (1,742)	\$ (2,845)
Prepaid expenses	(3,337)	(185)
Accounts payable and accrued liabilities	8,868	(6,344)
Current portion of long-term debt	<u>623</u>	<u>2,942</u>
	<u>\$ 4,412</u>	<u>\$ (6,432)</u>
	<u>\$ 31,060</u>	<u>\$ 11,855</u>

##### INVESTMENT ACTIVITIES

Purchase of property and equipment (net)		
Furniture and fixtures	\$ (9,678)	\$ (1,589)
Furniture and equipment	<u>(1,096)</u>	<u>(659)</u>
	(10,774)	(2,248)
Reduction of long-term debt	<u>(9,138)</u>	<u>(6,505)</u>
	<u>\$ (19,912)</u>	<u>\$ (8,753)</u>

<b>INCREASE IN CASH</b>	<b>\$ 11,148</b>	<b>\$ 3,102</b>
<b>CASH – BEGINNING</b>	<u>28,761</u>	<u>25,659</u>
<b>CASH – ENDING</b>	<u>\$ 39,909</u>	<u>\$ 28,761</u>

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# "NEW LIFE" GIRLS' HOME (CANADA)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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### 1. NATURE OF OPERATIONS

"New Life" Girls' Home (Canada) operates a residence for young ladies that provides intensive counseling and classroom studies to help deal with, and bring recovery from life controlling issues and problems as well as teaching life skills such as cooking and homemaking.

"New Life" Girls' Home (Canada) was incorporated without share capital under the laws of the Province of Ontario on November 9, 1988. It is registered as a charitable organization under the Income Tax Act and is therefore exempt from income taxes.

### 2. CHANGE IN BASIS OF ACCOUNTING

The Organization has elected to adopt the Canadian accounting standards for not-for-profit organizations as outlined in Part III of the CICA Accounting Handbook, hereafter referred to as "ASNPO." These financial statements are the first financial statements for which the Organization has applied ASNPO including the provisions set out in Section 1501, which addresses matters related to first-time adoption of this basis of accounting. The impact of adopting these standards was accounted for in net assets at the date of the transition (January 1, 2011).

#### Exemptions Used

The Organization has elected to use the following exemption:

#### Fair Value

The Organization has elected to revalue the land and building at fair value as at the date of transition.

Impact on Opening Equity	2012	2011
Balance – as originally stated	\$ (78,243)	\$ (90,206)
Revaluation of the land and building	<u>574,131</u>	<u>585,560</u>
Balance – restated	<u>\$ 495,888</u>	<u>\$ 495,354</u>
<b>Impact on Prior Year Net Income</b>		
Net Income – as originally stated		\$ 11,963
Adjustment to amortization of the building		<u>(11,429)</u>
Net Income – restated		<u>\$ 534</u>

#### Impact on Statement of Cash Flows

The impact of the change on the cash flow statement was restricted to the change in net income offset by changes in amortization and in the value of capital assets as described above. The net change in cash was not affected.

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# "NEW LIFE" GIRLS' HOME (CANADA)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) **Capital Assets and Amortization**

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets on the straight-line basis as follows:

Building	35 years
Automotive equipment	8 years
Furniture and fixtures	5 years
Office equipment	5 years

(b) **Impairment of Long-Lived Assets**

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(c) **Contributed Goods and Services**

The values of contributed goods, if any, are recorded where appraised values, as determined by independent professional appraisers, or other independent means are readily available. The values of contributed services are not recognized in these financial statements due to the difficulty in determining their fair value.

(d) **Revenue Recognition**

Contributions are recorded in the accounts when received. The values of pledges, if any, have not been recorded in the accounts. Monthly fees are received from students and are recorded in the accounts in the period to which they relate. Other revenue is recorded in the accounts when it is earned and reasonable assurance of collectability can be determined.

(e) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates used.

(f) **Financial Instruments**

Except where noted, the Organization initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost, which approximates fair value.

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in net income and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down.



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# "NEW LIFE" GIRLS' HOME (CANADA)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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### 4. CAPITAL ASSETS

Capital assets consist of the following:

	December 31 2012			December 31 2011	January 1 2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Land and building	\$ 830,000	\$ 28,572	\$ 801,428	\$ 812,858	\$ 824,286
Automotive equipment	15,000	7,500	7,500	9,375	11,250
Furniture and fixtures	29,267	18,972	10,295	5,471	7,800
Office equipment	<u>3,755</u>	<u>2,082</u>	<u>1,673</u>	<u>1,327</u>	<u>1,200</u>
	<u>\$ 878,022</u>	<u>\$ 57,126</u>	<u>\$ 820,896</u>	<u>\$ 829,031</u>	<u>\$ 844,536</u>

### 5. LONG-TERM DEBT

The long-term debt consists of the following:

	2012	2011
<b>Mortgage Payable</b> – John and Elsie Voortman		
This first mortgage is secured by land and buildings at 112 Edward Drive, RR#3, Consecon, Ontario, with net book value of \$801,428, bears interest at 7%, is repayable in blended principal and interest payments of \$2,775 and is due September 2016.	\$ 351,342	\$ 359,857
Less: current portion	<u>9,138</u>	<u>8,515</u>
	<u>\$ 342,204</u>	<u>\$ 351,342</u>

Minimum required principal repayments over the next five years are as follows:

2013	9,138
2014	10,192
2015	10,918
2016	<u>321,094</u>
	<u>\$ 351,342</u>

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# "NEW LIFE" GIRLS' HOME (CANADA)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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### 6. SIGNIFICANT COMMITMENTS

The Organization leases office equipment for a net rental payment of \$351 paid quarterly. The lease expires June 2017 with minimum lease payments for the next five years as follows:

2013	1,405
2014	1,405
2015	1,405
2016	1,405
2017	<u>702</u>
	<u>\$ 6,322</u>

### 7. FINANCIAL INSTRUMENTS

#### Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at December 31, 2012.

#### (a) Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. The Organization manages this risk by managing its working capital and ensuring that sufficient credit is available.

#### (b) Credit Risk

The organization does not have any significant concentrations of credit risk.

#### (c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Note 5, the Organization is exposed to interest rate risk with respect to its long-term debt. The Organization does not currently hold any financial instruments to mitigate this risk. Management is of the opinion that its exposure to changes in interest rates is not significant.