# DISTRESS CENTRES

## FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

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# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS AND DIRECTORS OF DISTRESS CENTRES

**Report on Financial Statements**

We have audited the accompanying financial statements of Distress Centres, which comprise the balance sheet as at December 31, 2010, 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 generally accepted accounting principles 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

In common with many similar organizations, the Centres derive revenue from fund-raising events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Centres and we were not able to determine whether any adjustments might be necessary to revenues, deficiency of revenues over expenses, assets and net assets.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, if any, these financial statements present fairly, in all material respects, the financial position of Distress Centres as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Corporations Act (Ontario), we report that the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

Toronto, Ontario
March 21, 2011

CHARTERED ACCOUNTANTS
Licensed Public Accountants

# DISTRESS CENTRES

## BALANCE SHEET

## AS AT DECEMBER 31, 2010

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash | $ **307,794** | $ 330,692 |
| Sundry receivables and prepaid expenses | **40,778** | 24,311 |
| | **348,572** | 355,003 |
| Furniture and equipment *(note 3)* | **30,506** | 54,171 |
| | **379,078** | 409,174 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **21,023** | 11,367 |
| Deferred revenue - PAIRO grant | **-** | 14,125 |
| | **21,023** | 25,492 |
| Deferred capital contributions *(note 4)* | **21,941** | 35,468 |
| | **42,964** | 60,960 |
| **NET ASSETS** | | |
| Invested in furniture and equipment | **8,565** | 18,703 |
| Internally restricted reserve funds *(note 5)* | **188,400** | 161,103 |
| Operating fund | **139,149** | 168,408 |
| | **336,114** | 348,214 |
| | $ **379,078** | $ 409,174 |

Approved on behalf of the Board:

________________, Director ________________, Director

# DISTRESS CENTRES

## STATEMENT OF OPERATIONS

## YEAR ENDED DECEMBER 31, 2010

| | | **2010** | | 2009 |
|---|---|---|---|---|
| Revenues | | | | |
| United Way of Greater Toronto *(note 6a)* | **$** | **288,675** | $ | 283,792 |
| Grant - City of Toronto *(note 6b)* | | **102,810** | | 100,780 |
| Corporations, foundations and church groups *(note 6c)* | | **73,791** | | 50,484 |
| Donations - individuals | | **84,595** | | 123,284 |
| Emergency Medical Services | | **20,250** | | 20,250 |
| Fund-raising events *(note 7)* | | **412,587** | | 377,456 |
| PAIRO *(note 8)* | | **61,208** | | 56,500 |
| Interest | | **-** | | 703 |
| Amortization of deferred capital contributions *(note 4)* | | **13,528** | | 16,472 |
| Miscellaneous | | **28,470** | | 35,620 |
| | | **1,085,914** | | 1,065,341 |
| Expenses | | | | |
| Salaries and employee benefits | | **649,230** | | 673,508 |
| Building occupancy | | **97,314** | | 94,990 |
| Fund-raising events *(note 7)* | | **85,274** | | 70,771 |
| PAIRO *(note 8)* | | **61,208** | | 56,500 |
| Office - telephone | | **66,484** | | 65,103 |
| - supplies | | **15,387** | | 21,305 |
| - postage | | **6,636** | | 8,158 |
| - maintenance and repairs | | **37,427** | | 21,905 |
| Promotion and publicity | | **531** | | 2,308 |
| Volunteer recruitment and training | | **10,406** | | 9,584 |
| Volunteer resources | | **13,745** | | 17,057 |
| Accounting and audit | | **6,963** | | 7,098 |
| Depreciation | | **25,274** | | 32,277 |
| Other | | **22,135** | | 18,692 |
| | | **1,098,014** | | 1,099,256 |
| Deficiency of revenues over expenses for the year | **$** | **(12,100)** | $ | (33,915) |

# DISTRESS CENTRES

## STATEMENT OF CHANGES IN NET ASSETS

## YEAR ENDED DECEMBER 31, 2010

| | *Operating Fund Unrestricted* | *Invested In Furniture and Equipment* | *Internally Restricted Reserve Funds* (note 5) | *Total* ***2010*** | *Total* *2009* |
|---|---|---|---|---|---|
| Balance - at beginning of year | **$ 168,408** | **$ 18,703** | **$ 161,103** | **$ 348,214** | $ 382,129 |
| Excess (deficiency) of revenues over expenses for the year | **13,174** | **(25,274)** | **-** | **(12,100)** | (33,915) |
| Inter-fund transfers: | | | | | |
| Amortization of deferred capital contributions | **(13,528)** | **13,528** | **-** | **-** | - |
| Volunteer costs | **6,103** | **-** | **(6,103)** | **-** | - |
| Purchase of furniture and equipment | **(1,608)** | **1,608** | **-** | **-** | - |
| Other | **(33,400)** | **-** | **33,400** | **-** | - |
| Balance - at end of year | **$ 139,149** | **$ 8,565** | **$ 188,400** | **$ 336,114** | $ 348,214 |

# DISTRESS CENTRES

## STATEMENT OF CASH FLOWS

## YEAR ENDED DECEMBER 31, 2010

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Cash received from United Way of Greater Toronto | **$** | **288,675** | $ | 283,792 |
| Cash received from City of Toronto | | **102,810** | | 100,780 |
| Cash received from Emergency Medical Services | | **20,250** | | 20,250 |
| Cash received from Resident Well-Being Committee-PAIRO | | **47,083** | | 56,500 |
| Cash received from general contributions | | **158,386** | | 173,768 |
| Cash received from fund raising events | | **397,489** | | 385,842 |
| Interest and miscellaneous income received | | **26,762** | | 33,754 |
| Cash paid to employees and suppliers | | **(977,471)** | | (989,505) |
| Cash paid for fund-raising events | | **(85,274)** | | (70,771) |
| | | **(21,290)** | | (5,590) |
| Cash flows from investing and financing activity | | | | |
| Purchase of furniture and equipment | | **(1,608)** | | - |
| Net change in cash during the year | | **(22,898)** | | (5,590) |
| Cash - at beginning of year | | **330,692** | | 336,282 |
| Cash - at end of year | **$** | **307,794** | $ | 330,692 |

*1. PURPOSE AND ORGANIZATION*

The mission of the Distress Centres is to create an emotional safety net for the vulnerable and at risk in the community . The Centres will:

- Provide crisis response and intervention to the emotionally vulnerable and at risk in the community.
- Serve as a point of access for suicide prevention, intervention and post-vention.
- Provide volunteer delivered services, wherever possible, in recognition of the added value they contribute.
- Collaborate and network with other agencies to create a continuum of care and support.
- Provide links to emergency services when necessary.
- Mitigate the impact of a mental health crisis by helping those with a history of vulnerability and risk make life-affirming choices.
- Increase service access by operating within a framework of cultural competency, including the promotion of diversity in all areas of service.
- Enhance emotional self-management and reduce risk by strengthening the coping skills of survivors.
- Advocate on behalf of service users by reporting on current needs, gaps in service and emerging trends.
- Build community capacity in emotional health response.

Distress Centres is incorporated without share capital under the laws of Ontario and is registered as a charitable organization under the Income Tax Act (Canada) 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 Centres must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

*2. SIGNIFICANT ACCOUNTING POLICIES*

*Basis of Presentation*

The Centres follow Canadian generally accepted accounting principles in the preparation of its financial statements which require that the statements be prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred.

The operating fund accounts for the day-to-day service delivery activities of the Centres.

The following are Board designated funds:

- The Contingency Reserve Fund is for the specific purpose of covering operating expenses in the event of unanticipated financial expenditures or occurrences.
- The Chambers Endowment Fund is specifically designated for Volunteer Training and Development.
- The Opportunity Reserve Fund is set up to meet special targets of opportunity.
- The Technology Reserve Fund is to provide funds to meet technological needs.
- The Community Engagement Reserve Fund is to provide funds for organizational community engagement including marketing and website development and event costs.

*2. SIGNIFICANT ACCOUNTING POLICIES (continued)*

*Furniture and Equipment*

Furniture and equipment are recorded at cost and depreciated over their estimated useful lives on a straight line basis at the following annual rates:

| | | |
|---|---|---|
| Computer equipment | - | 25% |
| Computer software | - | 50% |
| Office furniture, fixtures and equipment | - | 20% |

*Deferred Capital Contributions*

Externally restricted contributions for the acquisition of capital assets are deferred and amortized over the life of the related assets. Externally restricted contributions that have not been expended are recorded as part of deferred capital contributions on the balance sheet.

*Revenue Recognition*

*Grants and Contributions*

The Centres follow the deferral method of accounting for contributions which include donations, government grants and other contributions.

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

*Fund-Raising Events Revenues and Expenses*

Revenues and expenses from fund-raising events are recorded in the period in which the event takes place.

*Donations*

Donations and bequests are recorded when received. Donated goods and services are not recorded in the accounts, except when they are used in the normal course of business and when a fair value for such goods and services can be readily determined.

*Other Revenues*

Other revenues, being interest and miscellaneous income are recorded as earned.

*Contributed Services*

Volunteers contribute significant amounts of time to assist the Centres in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

*Financial Assets and Liabilities*

Financial assets and liabilities include cash, sundry receivables and accounts payable and accrued liabilities. Cash is classified as held for trading and is stated at fair value. Sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

*2. SIGNIFICANT ACCOUNTING POLICIES (continued)*

*Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may differ from these and other estimates, the impact of which would be recorded in future periods.

*3. FURNITURE AND EQUIPMENT*

Details of furniture and equipment are as follows:

| | | ***Accumulated*** | ***Net Book Value*** | |
|---|---|---|---|---|
| | ***Cost*** | ***Depreciation*** | ***2010*** | *2009* |
| Computer equipment | **$ 85,083** | **$ 75,417** | **$ 9,666** | $ 23,239 |
| Computer software | **30,064** | **30,064** | **-** | 1,757 |
| Office equipment | **79,525** | **59,518** | **20,007** | 28,008 |
| Office furniture and fixtures | **33,429** | **32,596** | **833** | 1,167 |
| | **$ 228,101** | **$ 197,595** | **$ 30,506** | $ 54,171 |

*4. DEFERRED CAPITAL CONTRIBUTIONS*

Deferred capital contributions represent the unamortized amount of contributions received and contributions received that have not been expensed for the purchase of capital assets. The details of deferred capital contributions are as follows:

| | ***2010*** | *2009* |
|---|---|---|
| Balance - at beginning of year | **$ 35,469** | $ 51,940 |
| Amortization of deferred capital contributions | **(13,528)** | (16,472) |
| Balance - at end of year | **$ 21,941** | $ 35,468 |

*5. NET ASSETS - INTERNALLY RESTRICTED*

The Centres' Board of Directors has internally restricted net assets to be used for specific purposes. These funds are not available for unrestricted purposes without approval of the Board of Directors. The internally restricted net assets at December 31 are as follows:

| | *2010* | *2009* |
|---|---|---|
| Contingency reserve fund | **$ 161,000** | $ 155,000 |
| Opportunity reserve fund | **10,000** | - |
| Technology reserve fund | **7,320** | - |
| Community reserve fund | **10,080** | - |
| Chambers endowment fund | **-** | 6,103 |
| | **$ 188,400** | $ 161,103 |

*6. REVENUE*

Details of revenues are as follows:

| | ***2010*** | *2009* |
|---|---|---|
| *(a) United Way of Greater Toronto* | | |
| Allocation | **$ 276,360** | $ 276,368 |
| Donor designations | **12,315** | 7,424 |
| | **288,675** | 283,792 |
| *(b) Grant - City of Toronto* | | |
| Community Services Program | **102,810** | 100,780 |
| *(c) Corporations, Foundations and Church Groups* | | |
| Foundations | **61,900** | 37,557 |
| Corporations | **11,141** | 7,077 |
| Church groups and service clubs | **750** | 5,850 |
| | **$ 73,791** | $ 50,484 |

### *7. FUND-RAISING EVENTS*

Details of fund-raising events are as follows:

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | ***Revenue*** | ***Expenses*** | ***Net*** | *Revenue* | *Expenses* | *Net* |
| "Bikers Against Despair" Ride | **$ 217,877** | **$ 44,571** | **$ 173,306** | $ 214,166 | $ 41,145 | $ 173,021 |
| Piano Benefit | **138,213** | **37,528** | **100,685** | 103,289 | 26,940 | 76,349 |
| Special events | **28,900** | **-** | **28,900** | 27,775 | - | 27,775 |
| Bingo | **21,476** | **-** | **21,476** | 27,525 | - | 27,525 |
| Nevada | **6,121** | **3,175** | **2,946** | 4,701 | 2,686 | 2,015 |
| | **$ 412,587** | **$ 85,274** | **$ 327,313** | $ 377,456 | $ 70,771 | $ 306,685 |

### *8. PROFESSIONAL ASSOCIATION OF INTERNS AND RESIDENTS OF ONTARIO (PAIRO) GRANT*

PAIRO is a project funded by the Resident Well-Being Committee to operate a 24-hour helpline for counselling services for residents of Ontario. Revenue and expenses related to this grant are as follows:

| | | ***2010*** | *2009* |
|---|---|---|---|
| Funding received | | **$ 47,083** | $ 56,500 |
| Deferred revenue | - beginning of year | **14,125** | 14,125 |
| | - end of year | **-** | (14,125) |
| Revenue for the year | | **61,208** | 56,500 |
| Expenses for the year | | **$ 61,208** | $ 56,500 |

### *9. FINANCIAL INSTRUMENTS*

The Centres' financial instruments consist of cash, sundry receivables and accounts payable and accrued liabilities. It is management's opinion that the Centres are not exposed to significant interest, currency or credit risks arising from these financial instruments.

Management estimates that the fair value of these financial instruments approximates their carrying values.

### *10. CAPITAL MANAGEMENT*

The Centres considers its capital to be its net assets. The Centres' objective in managing capital is to ensure that it has sufficient resources to provide emotional support, crisis intervention and suicide prevention services to those who request the services as detailed in note 1.

The Centres manages and adjusts its capital in response to general economic conditions, working capital requirements and risk characteristics of its underlying assets. In addition, the Centres budgets its operations to accumulate capital to continue its mission and to meet the disbursements as required under the legislation.

*11. COMMITMENTS*

The Centres' are committed to annual minimum rental payments under long term leases for premises and equipment expiring from February 2011 to December 2014 as follows:

| | ***Premises*** | ***Equipment*** | ***Total*** |
|---|---|---|---|
| 2011 | $ 30,300 | $ 11,400 | $ 41,700 |
| 2012 | 25,300 | 11,400 | 36,700 |
| 2013 | 16,100 | 11,400 | 27,500 |
| 2014 | 14,300 | 3,200 | 17,500 |

In addition, the Centres' are committed to pay its proportionate share of taxes, utilities and operating costs of the premises, which for 2010 were $41,000 (2009 - $42,000).

*12. GUARANTEES*

The Centres have indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions. The nature of the indemnity prevents the Centres from reasonably estimating the maximum exposure. The Centres have purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions.

In the normal course of business, the Centres have entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, leasing agreements or purchase contracts. In these agreements, the Centres have agreed to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Centres. The maximum amount of any potential liability cannot be reasonably estimated.

*13. CREDIT FACILITIES*

(i) Line of Credit

The Centres have a line of credit to a maximum of $15,000 secured by a general security agreement over the assets of the Centres. Any advances on this loan facility bear interest at bank prime and the interest is payable monthly. There were no advances against the credit facility at December 31, 2010.

(ii) Visa Business Card

The Centres have a business visa card facility in the amount of $3,000.

*14. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS*

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has approved the incorporation of the standards set out in Part III of the CICA Handbook (Handbook) as the accounting standards applicable to not-for-profit organizations. First-time adoption of this Part of the Handbook is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012. A not-for-profit organization that prepares its financial statements in accordance with this Part of the Handbook states that they have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. A not-for-profit organization applying this Part of the Handbook also applies the standards for private enterprises in Part II of the Handbook to the extent that the Part II standards address topics not addressed in this Part.

Management is of the opinion that these standards will not have a significant impact on the Centres' financial statements.