DISTRESS CENTRES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S 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, 2011, 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.

Auditor's 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 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, 2011, 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 27, 2012

CHARTERED ACCOUNTANTS
Licensed Public Accountants

DISTRESS CENTRES

BALANCE SHEET

AS AT DECEMBER 31, 2011

		2011		2010
ASSETS				
Current assets				
Cash	**$**	**255,983**	$	307,794
Sundry receivables and prepaid expenses		**73,234**		40,778
		329,217		348,572
Furniture and equipment *(note 3)*		**15,817**		30,506
		345,034		379,078
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**8,496**		21,023
Deferred capital contributions *(note 4)*		**11,383**		21,941
		19,879		42,964
NET ASSETS				
Invested in furniture and equipment		**4,435**		8,565
Internally restricted reserve funds *(note 5)*		**188,400**		188,400
Operating fund		**132,320**		139,149
		325,155		336,114
	$	**345,034**	$	379,078

Approved on behalf of the Board:

________________, Director ________________, Director

DISTRESS CENTRES

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

	2011	2010
Revenues		
United Way of Greater Toronto *(note 6a)*	$ **293,277**	$ 288,675
Grant - City of Toronto *(note 6b)*	**102,810**	102,810
Corporations, foundations and church groups *(note 6c)*	**58,100**	73,791
Donations - individuals	**80,403**	84,595
Fund-raising events *(note 7)*	**388,100**	412,587
TTC Crisis Link	**73,750**	-
Professional Association of Internes and Residents of Ontario (PAIRO)	**59,000**	61,208
Emergency Medical Services	**20,250**	20,250
Amortization of deferred capital contributions *(note 4)*	**10,558**	13,528
Miscellaneous	**10,204**	4,576
	1,096,452	1,062,020
Expenses		
Salaries and employee benefits	**662,963**	649,230
Building occupancy	**106,982**	97,314
Fund-raising events *(note 7)*	**72,897**	85,274
Office - telephone	**90,618**	66,484
- supplies	**15,072**	15,387
- postage	**8,320**	6,636
- maintenance and repairs	**34,264**	37,427
Promotion and publicity	**250**	531
Volunteer recruitment and training	**15,678**	10,406
Volunteer resources	**49,143**	51,059
Accounting and audit	**7,276**	6,963
Depreciation	**16,887**	25,274
Other	**27,061**	22,135
	1,107,411	1,074,120
Deficiency of revenues over expenses for the year	$ **(10,959)**	$ (12,100)

DISTRESS CENTRES

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011

	Operating Fund Unrestricted	*Invested In Furniture and Equipment*	*Internally Restricted Reserve Funds* (note 5)	*Total 2011*	*Total 2010*
Balance - at beginning of year	**$ 139,149**	**$ 8,565**	**$ 188,400**	**$ 336,114**	$ 348,214
Excess (deficiency) of revenues over expenses for the year	**5,928**	**(16,887)**	**-**	**(10,959)**	(12,100)
Inter-fund transfers representing:					
Amortization of deferred capital contributions	**(10,558)**	**10,558**	**-**	**-**	-
Purchase of furniture and equipment	**(2,199)**	**2,199**	**-**	**-**	-
Balance - at end of year	**$ 132,320**	**$ 4,435**	**$ 188,400**	**$ 325,155**	$ 336,114

DISTRESS CENTRES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

		2011		2010
Cash flows from operating activities				
Cash received from United Way of Greater Toronto	**$**	**293,277**	$	288,675
Cash received from City of Toronto		**102,810**		102,810
Cash received from general contributions		**138,503**		158,386
Cash received from fund raising events		**406,109**		397,489
Cash received from TTC Crisis Link		**64,813**		-
Cash received from Resident Well-Being Committee-PAIRO		**59,000**		47,083
Cash received from Emergency Medical Services		**20,250**		20,250
Interest and miscellaneous income received		**10,204**		7,577
Cash paid to employees and suppliers		**(1,071,681)**		(958,286)
Cash paid for fund-raising events		**(72,897)**		(85,274)
		(49,612)		(21,290)
Cash flows from investing and financing activity				
Purchase of furniture and equipment		**(2,199)**		(1,608)
Net change in cash during the year		**(51,811)**		(22,898)
Cash - at beginning of year		**307,794**		330,692
Cash - at end of year	**$**	**255,983**	$	307,794

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. SUMMARY OF 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 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. SUMMARY OF 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. SUMMARY OF 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:

	Cost	Accumulated Depreciation	Net Book Value 2011	Net Book Value 2010
Computer equipment	**$ 87,282**	**$ 83,969**	**$ 3,313**	$ 9,666
Computer software	**30,064**	**30,064**	**-**	-
Office equipment	**109,525**	**97,522**	**12,004**	20,007
Office furniture and fixtures	**33,430**	**32,930**	**500**	833
	$ 260,301	**$ 244,485**	**$ 15,817**	$ 30,506

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:

	2011	2010
Balance - at beginning of year	**$ 21,941**	$ 35,469
Amortization of deferred capital contributions	**(10,558)**	(13,528)
Balance - at end of year	**$ 11,383**	$ 21,941

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:

	2011	2010
Contingency reserve fund	**$ 161,000**	$ 161,000
Opportunity reserve fund	**10,000**	10,000
Technology reserve fund	**7,320**	7,320
Community engagement reserve fund	**10,080**	10,080
	$ 188,400	$ 188,400

6. REVENUES

Details of revenues are as follows:

	2011	2010
(a) United Way of Greater Toronto		
Allocation	**$ 276,368**	$ 276,360
Grants	**5,550**	-
Donor designations	**11,359**	12,315
	293,277	288,675
(b) Grant - City of Toronto		
Community Services Program	**102,810**	102,810
(c) Corporations, Foundations and Church Groups		
Foundations	**45,609**	61,900
Corporations	**11,701**	11,141
Church groups and service clubs	**790**	750
	$ 58,100	$ 73,791

7. FUND-RAISING EVENTS

Details of fund-raising events are as follows:

	2011			2010		
	Revenue	**Expenses**	**Net**	Revenue	Expenses	Net
"Bikers Against Despair" Ride	**$ 170,763**	**$ 37,396**	**$ 133,367**	$ 217,877	$ 44,571	$ 173,306
Concert by Twilight	**157,329**	**34,008**	**123,321**	138,213	37,528	100,685
Special events	**42,372**	**-**	**42,372**	28,900	-	28,900
Bingo	**15,038**	**200**	**14,838**	21,476	-	21,476
Nevada	**2,598**	**1,293**	**1,305**	6,121	3,175	2,946
	$ 388,100	**$ 72,897**	**$ 315,203**	$ 412,587	$ 85,274	$ 327,313

8. 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, credit or liquidity risks arising from these financial instruments.

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

9. 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. The need for sufficient liquid resources is considered in the preparation of the annual budget and in monitoring of cash flows and actual operating results compared to the budget.

10. COMMITMENTS

The Centres' are committed to annual minimum rental payments under long term leases for premises and equipment expiring from February 2012 to December 2014 as follows:

	Premises	***Equipment***	***Total***
2012	$ 30,975	$ 11,400	$ 42,375
2013	16,340	11,400	27,740
2014	14,510	3,200	17,710

In addition, the Centres' are committed to pay its proportionate share of taxes, utilities and operating costs of the premises, which for 2011 were $42,000 (2010 - $41,000).

11. 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 in which they are sued as a result of their involvement with the Centres, if they acted honestly and in good faith with the best interest of the Centres. 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 terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.

12. 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.

13. COMPARATIVE FIGURES

The comparative figures in the Statement of Operations have been reclassified to conform to the financial statement presentation adopted for the current year.