DISTRESS CENTRES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 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 sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, excess 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, 2012, December 31, 2011 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

Toronto, Ontario
March 27, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

DISTRESS CENTRES

BALANCE SHEETS

AS AT DECEMBER 31, 2012, DECEMBER 31, 2011 AND JANUARY 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current assets			
Cash and investments	**$ 473,435**	$ 255,983	$ 307,794
Sundry receivables and prepaid expenses	**59,040**	73,234	40,778
	532,475	329,217	348,572
Furniture and equipment *(note 3)*	**6,145**	15,817	30,506
	538,620	345,034	379,078
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**14,271**	8,496	21,023
Deferred revenue *(note 4)*	**60,000**	-	-
	74,271	8,496	21,023
Deferred capital contributions *(note 5)*	**3,795**	11,383	21,941
	78,066	19,879	42,964
NET ASSETS			
Invested in furniture and equipment	**2,351**	4,435	8,565
Internally restricted reserve funds *(note 6)*	**188,400**	188,400	188,400
Operating fund	**269,803**	132,320	139,149
	460,554	325,155	336,114
	$ 538,620	$ 345,034	$ 379,078

Approved on behalf of the Board:

________________, Director ________________, Director

DISTRESS CENTRES

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2012 AND 2011

		2012		2011
Revenues				
United Way of Greater Toronto *(note 7a)*	$	**285,981**	$	293,277
Grant - City of Toronto *(note 7b)*		**102,810**		102,810
Corporations, foundations and church groups *(note 7c)*		**109,082**		58,100
Donations - individuals		**139,977**		80,403
Fund-raising events *(note 8)*		**379,888**		388,100
TTC Crisis Link		**107,250**		73,750
Professional Association of Internes and Residents of Ontario (PAIRO)		**64,000**		59,000
Emergency Medical Services		**22,338**		20,250
Amortization of deferred capital contributions *(note 5)*		**7,588**		10,558
Miscellaneous		**6,803**		10,204
		1,225,717		1,096,452
Expenses				
Salaries and employee benefits		**639,562**		662,963
Building occupancy		**109,334**		106,982
Fund-raising events *(note 8)*		**67,966**		72,897
Office - telephone		**104,037**		90,618
- supplies		**16,697**		15,072
- postage		**7,376**		8,320
- maintenance and repairs		**31,330**		34,264
Promotion and publicity		**1,223**		250
Volunteer recruitment and training		**14,694**		15,678
Volunteer resources		**49,346**		49,143
Accounting and audit		**7,556**		7,276
Depreciation		**9,672**		16,887
Other		**31,525**		27,061
		1,090,318		1,107,411
Excess (deficiency) of revenues over expenses for the year	$	**135,399**	$	(10,959)

DISTRESS CENTRES

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	Operating Fund Unrestricted	*Invested In Furniture and Equipment*	*Internally Restricted Reserve Funds* (note 6)	***Total* 2012**	*Total* 2011
Balance - at beginning of year	**$ 132,320**	**$ 4,435**	**$ 188,400**	**$ 325,155**	$ 336,114
Excess (deficiency) of revenues over expenses for the year	**145,071**	**(9,672)**	**-**	**135,399**	(10,959)
Inter-fund transfers representing: Amortization of deferred capital contributions	**(7,588)**	**7,588**	**-**	**-**	-
Balance - at end of year	**$ 269,803**	**$ 2,351**	**$ 188,400**	**$ 460,554**	$ 325,155

DISTRESS CENTRES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

		2012		2011
Cash flows from operating activities				
Cash received from United Way of Greater Toronto	**$**	**285,981**	$	293,277
Cash received from City of Toronto		**102,810**		102,810
Cash received from general contributions		**309,059**		138,503
Cash received from fund raising events		**379,889**		406,109
Cash received from TTC Crisis Link		**107,250**		64,813
Cash received from Resident Well-Being Committee-PAIRO		**64,000**		59,000
Cash received from Emergency Medical Services		**22,338**		20,250
Interest and miscellaneous income received		**6,803**		10,204
Cash paid to employees and suppliers		**(992,712)**		(1,071,681)
Cash paid for fund-raising events		**(67,966)**		(72,897)
		217,452		(49,612)
Cash flows from investing and financing activity				
Purchase of furniture and equipment		**-**		(2,199)
Net change in cash during the year		**217,452**		(51,811)
Cash - at beginning of year		**255,983**		307,794
Cash - at end of year	**$**	**473,435**	$	255,983

The mission of the Distress Centres (the "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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following accounting policies.

Basis of Presentation

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.

Financial Assets and Liabilities

The Centres initially measures its financial assets and liabilities at fair value. The Centres subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash and investments, sundry receivables and accounts payable and accrued liabilities.

1. 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%

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2012 or 2011.

Deferred Capital Contributions

Externally restricted contributions for the acquisition of capital assets that will be depreciated 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 in which the expenses are incurred. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity 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, 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 could differ from these and other estimates, the impact of which would be recorded in future periods.

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, the Centres adopted the requirements of the Canadian Institute of Chartered Accountant's Handbook and has adopted Canadian Accounting Standards for Not-for-Profit Organizations ("NPO Standards"). This accounting framework is in accordance with Canadian generally accepted accounting principles (GAAP). These are the first financial statements prepared in accordance with this framework which has been applied retrospectively. The accounting policies set out in the summary of significant accounting policies have been applied in preparing the financial statements as at December 31, 2012 and for the year then ended and the comparative information presented in these financial statements as at December 31, 2011 and for the year then ended and in the preparation of an opening balance sheet at January 1, 2011.

The Centres previously issued financial statements for the year ended December 31, 2011 using CICA Handbook Part V Pre-Changeover Accounting Standards which are the standards applied by the Centres prior to its adoption of NPO Standards. The adoption of NPO Standards had no impact on the previously reported assets, liabilities, revenues, expenses and net assets of the Centres, and accordingly, no adjustments were required in the comparative balance sheets, statements of operations, changes in net assets and cash flows. Certain of the comparative presentation and disclosures included in the notes to these financial statements reflect the new presentation and disclosure requirements of NPO Standards.

3. FURNITURE AND EQUIPMENT

Details of furniture and equipment are as follows:

			Net Book Value		
	Cost	***Accumulated Depreciation***	***December 31, 2012***	*December 31, 2011*	*January 1, 2011*
Computer equipment	**$ 87,282**	**$ 85,305**	**$ 1,977**	$ 3,313	$ 9,666
Computer software	**30,064**	**30,064**	**-**	-	-
Office equipment	**109,525**	**105,524**	**4,001**	12,004	20,007
Office furniture and fixtures	**33,430**	**33,263**	**167**	500	833
	$ 260,301	**$ 254,156**	**$ 6,145**	$ 15,817	$ 30,506

4. DEFERRED REVENUE

Deferred revenue represents restricted grant received from Canada Post Community Foundation for e-Resource Community Centre. The funds are to be used for website redevelopment, e-library and other expenses.

5. 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:

	December 31, 2012	*December 31, 2011*	*January 1, 2011*
Balance - at beginning of year	**$ 11,383**	$ 21,941	$ 35,469
Amortization of deferred capital contributions	**(7,588)**	(10,558)	(13,528)
Balance - at end of year	**$ 3,795**	$ 11,383	$ 21,941

6. 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:

	December 31, 2012	*December 31, 2011*	*January 1, 2011*
Contingency reserve fund	**$ 161,000**	$ 161,000	$ 161,000
Opportunity reserve fund	**10,000**	10,000	10,000
Technology reserve fund	**7,320**	7,320	7,320
Community engagement reserve fund	**10,080**	10,080	10,080
	$ 188,400	$ 188,400	$ 188,400

7. REVENUES

Details of revenues are as follows:

	2012	*2011*
(a) United Way of Greater Toronto		
Allocation	**$ 280,384**	$ 281,918
Donor designations	**5,597**	11,359
	285,981	293,277
(b) Grant - City of Toronto		
Community Services Program	**102,810**	102,810
(c) Corporations, Foundations and Church Groups		
Foundations	**57,552**	45,609
Corporations	**50,480**	11,701
Church groups and service clubs	**1,050**	790
	$ 109,082	$ 58,100

8. FUND-RAISING EVENTS

Details of fund-raising events are as follows:

	2012			*2011*		
	Revenue	***Expenses***	***Net***	*Revenue*	*Expenses*	*Net*
"Bikers Against Despair" Ride	**$ 199,440**	**$ 42,068**	**$ 157,372**	$ 170,763	$ 37,396	$ 133,367
Concert by Twilight	**143,709**	**24,594**	**119,115**	157,329	34,008	123,321
Special events	**24,513**	**5**	**24,508**	42,372	-	42,372
Bingo	**9,987**	**-**	**9,987**	15,038	200	14,838
Nevada	**2,239**	**1,299**	**940**	2,598	1,293	1,305
	$ 379,888	**$ 67,966**	**$ 311,922**	$ 388,100	$ 72,897	$ 315,203

9. FINANCIAL INSTRUMENTS

The Centres is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centres' risk exposure at the balance sheet date.

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 Centres' main credit risks relate to sundry receivables. The Centres is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Centres will encounter difficulty in meeting obligations associated with financial liabilities. The Centres is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Centres expects to meet these obligations as they come due by generating sufficient cash flow from operations.

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 Centres is not exposed to significant currency, interest rate or other price risks.

10. COMMITMENTS

The Centres are committed to annual minimum rental payments under long term leases for premises and equipment expiring from February 2013 to December 2014 as follows:

	Premises	***Equipment***	***Total***
2013	$ 22,260	$ 10,603	$ 32,863
2014	14,510	10,418	24,928
2015	-	9,864	9,864
2016	-	9,864	9,864
2017	-	4,932	4,932

In addition, the Centres are committed to pay its proportionate share of taxes, utilities and operating costs of the premises, which for 2012 were $42,550 (2011 - $42,000).

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.