

Financial Statements of

YOUTH CHALLENGE FUND

Year ended March 31, 2010



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board Members of Youth Challenge Fund

We have audited the statement of financial position of Youth Challenge Fund as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Youth Challenge Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Youth Challenge Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

May 13, 2010

YOUTH CHALLENGE FUND

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

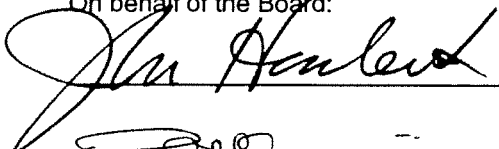
	2010	2009
Assets		
Current assets:		
Cash and marketable securities (note 3)	\$ 23,028,789	\$ 22,064,312
Donations receivable	4,791,674	6,228,338
Government grant receivable	-	7,819,100
Other receivables	51,987	1,155
Prepaid expenses	8,379	8,227
	<u>27,880,829</u>	<u>36,121,132</u>
Capital assets (note 4)	-	11,245
	<u>\$ 27,880,829</u>	<u>\$ 36,132,377</u>

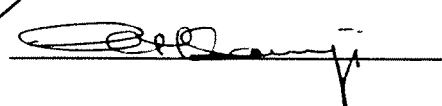
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 257,132	\$ 370,608
Grants payable	308,375	1,243,219
	<u>565,507</u>	<u>1,613,827</u>
Net assets:		
Invested in capital assets	-	11,245
Restricted (note 8)	27,315,322	34,507,305
	<u>27,315,322</u>	<u>34,518,550</u>
Commitments (note 7)		
	<u>\$ 27,880,829</u>	<u>\$ 36,132,377</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

YOUTH CHALLENGE FUND

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Government grant	\$ -	\$ 7,819,100
Donations	-	7,464,779
Investment income	126,835	536,445
	126,835	15,820,324
Distributions and expenses:		
Community grants (note 6)	6,368,370	6,045,560
Operating expenses (Schedule)	961,693	1,084,531
	7,330,063	7,130,091
Excess (deficiency) of revenue over distributions and expenses	\$ (7,203,228)	\$ 8,690,233

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	2010			2009
	Invested in capital assets	Restricted	Total	Total
Net assets, beginning of year	\$ 11,245	\$ 34,507,305	\$ 34,518,550	\$ 25,828,317
Excess (deficiency) of revenue over distributions and expenses	(11,245)	(7,191,983)	(7,203,228)	8,690,233
Net assets, end of year	\$ -	\$ 27,315,322	\$ 27,315,322	\$ 34,518,550

See accompanying notes to financial statements.

YOUTH CHALLENGE FUND

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over distributions and expenses	\$ (7,203,228)	\$ 8,690,233
Item not involving cash:		
Amortization of capital assets	11,245	22,532
Change in non-cash operating working capital	8,156,460	(2,356,754)
Increase in cash and marketable securities	964,477	6,356,011
Cash and marketable securities, beginning of year	22,064,312	15,708,301
Cash and marketable securities, end of year	\$ 23,028,789	\$ 22,064,312

See accompanying notes to financial statements.

YOUTH CHALLENGE FUND

Notes to Financial Statements

Year ended March 31, 2010

The mission of Youth Challenge Fund ("YCF") is to achieve a lasting improvement in the lives of youth by mobilizing the community's resources in support of youth, investing in effective programs and promoting a sustained and co-ordinated response to youth development and violence prevention in Toronto.

The vision of YCF is "one Toronto mobilized to create neighbourhoods with capacity to inspire and support youth to succeed, and where all youth feel respected, valued and supported to define and achieve a positive future free of violence and discrimination."

The Province of Ontario (the "Province") established YCF in 2006 and appointed United Way of Greater Toronto ("UWGT") as trustee. The Province advanced UWGT the sum of \$15,000,000 and set up an independent board to oversee the operation of YCF over the following three years. The Board's responsibilities include granting/distributing policies best suited to the purposes and objectives of YCF. It is expected that the administrative agreement will be renewed until March 31, 2013, with additional funding being committed by the Province. Granting for the current year is detailed in note 6 and Board-approved grants to be distributed in future years are disclosed in note 7. Funds are held in cash and marketable securities until distributed.

Subject to the terms and conditions of the administration agreement, dated May 1, 2006, between the Minister of Children and Youth Services and UWGT and members of the Board, and an amendment to the original terms and conditions, the Province provided matching grants to YCF for private and public donations of \$15,819,000.

As the trustee, UWGT is responsible for the operation of the program and financial stewardship of the funds on behalf of the Province. UWGT shall administer YCF in accordance with its financial operating management systems.

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition:

YCF is primarily funded by the Province in accordance with an agreement between the Province, members of the Board and UWGT. Government grants and donations are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when earned.

(b) Contributed services:

A number of volunteers, including volunteers from the staff of UWGT, contribute a significant amount of their time and services. Since these contributed services are not purchased nor charged by UWGT, they are not recognized in the financial statements.

(c) Financial instruments:

Cash and marketable securities are classified as held-for-trading and stated at fair value. Donations receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and grants payable are classified as other financial liabilities, which are measured at amortized cost.

In determining fair values, adjustments have not been made for transaction costs as they are not considered significant.

The fair value of marketable securities is equal to the quoted market value. The fair values of other financial assets and liabilities, being cash, donations receivable, other receivables, accounts payable and accrued liabilities and grants payable, approximate their carrying values due to the relatively short-term nature of these financial instruments.

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

YCF has adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, YCF has elected not to adopt these standards in its financial statements.

(d) Capital assets:

Purchased capital assets are stated at acquisition cost. Amortization is provided on a straight-line basis over the following estimated useful lives:

Computer hardware and software	3 years
Furniture and fixtures	3 years

(e) Calculation of administrative expense-revenue ratio:

Under the terms of YCF administration agreement between the Province and UWGT, "the trustee shall be entitled to compensation for its reasonable professional, technical and administrative services and expenses in supporting the work of YCF, but the aggregate amount thereof over the first three financial years of YCF shall not exceed 10% of YCF".

The administrative expense-revenue ratio, on a cumulative basis amounts to 6.6% (2009 - 5.5%).

The cost of fundraising for YCF is not allocated to the YCF program by UWGT.

(f) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

2. Changes in accounting policies:

- (a) Amendments to Section 4400, Accounting Standards That Apply to Not-For-Profit Organizations ("Section 4400"):

Effective April 1, 2009, YCF adopted the CICA amendments to Section 4400. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations had no impact on the financial statements for the year ended March 31, 2010.

- (b) Amendments to Section 1000, Financial Statement Concepts ("Section 1000"):

Effective April 1, 2009, YCF adopted the CICA amendments to Section 1000. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no impact on the financial statements for the year ended March 31, 2010.

- (c) Amendments to Section 4470, Disclosure of Allocation Expenses by Not-for-Profit Organizations ("Section 4470"):

Effective April 1, 2009, YCF adopted the amendments to Section 4470, which establish disclosure standards for organizations that choose to classify their expenses by function and allocate expenses from one function to another. Adoption of these recommendations had no impact on the financial statements for the year ended March 31, 2010.

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

3. Cash and marketable securities:

Included in cash and marketable securities are fixed income securities which bear a yield to maturity of 0.75% to 2.00% with maturity dates ranging from May 2011 to June 2014. These fixed income securities have a fair value of \$10,924,429 and a book value of \$10,900,000.

4. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	\$ 33,034	\$ 33,034	\$ -	\$ 6,380
Furniture and fixtures	31,284	31,284	-	4,865
	\$ 64,318	\$ 64,318	\$ -	\$ 11,245

5. Amounts due to United Way of Greater Toronto:

Included in accounts payable and accrued liabilities is \$224,861 (2009 - \$318,636) due to UWGT. This balance relates to YCF's portion of salary and premises rental costs from UWGT.

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

6. Community grant distribution:

Community grants and donations in the amount of \$6,368,370 as at March 31, 2010 are detailed below:

Organization:	
Afri-can Food Basket	\$ 147,928
B Current Performing Arts Group	67,327
Black Action Defence Committee	75,000
Black Youth Coalition for AIDS Prevention	31,192
Bondee Youth House League	7,050
Braeburn Neighbourhood Place	136,500
Canadian Tamil Youth	15,000
Centennial College	112,500
Central Ontario Building Trades	35,000
Centre for Spanish Speaking Peoples	115,188
Community Microskills	31,002
Creating Leaders in Chester Le	25,000
East Metro Youth Services	150,000
Education Attainment West	116,756
Elements	86,067
Elevated Grounds	112,500
First United Pentecostal Church	57,002
Flemo City Media	347,450
For Youth Initiative	553,464
Friends In Trouble	112,500
Frontlines	55,270
Girls Addicted to Basketball	5,234
Greater Toronto Area Netball League	33,500
Helping Adolescents Improve their Reflections ("HAIR")	12,500
Hispanic Development Council	96,952
HOODLINC - Rose Program	96,750
Jane-Finch's Caring Village	129,000
Jane/Finch Community & Family Centre	22,606
Literature For Life	25,000
JVS Toronto	63,062
Mujer	86,480
Native Child and Family Services	56,250
New Heights Community Centre	150,000
NIA African Canadian Arts & Culture Centre	310,863
NIA Upgrade Program Planning Group	111,280
North Scarborough Soccer Club	25,216
O'Connor and Flemingdon Youth Media	51,750
Oromo Coalition Against Youth Alienation	27,321
Carried forward	3,693,460

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

6. Community grant distribution (continued):

Brought forward	3,693,460
Organization (continued):	
PEACH: Promoting Economic Action	187,500
Power in Numbers	45,441
Project C.A.N.O.E.	51,072
Regent Park Focus Youth Media Arts Centre	8,000
Rexdale Community Health Centre	200,000
Royal Conservatory of Music	112,500
Schools without Borders	150,450
Sisters with Integrity	8,000
Social Enterprise Centre of Excellence	125,000
Steeles L'Amoureux Youth Hub	300,575
Tamil Youth Development Centre	15,000
The Learning Disabilities Association of Toronto	126,371
The S.P.O.T.	263,128
United Way Toronto - City Leaders Program	167,643
Urbanarts Community	87,999
West Hill Community Services	16,250
West Scarborough Community Services	75,000
Young and Potential Fathers	218,920
Young Women's Initiative	75,758
Youth Justice Education Program	200,855
Youth LEAPS	258,166
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	6,387,088
Cancelled grants:	
YAACE	(6,137)
Freelance Rhythm	(12,581)
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	(18,718)
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Total distribution	<hr/>
	\$ 6,368,370

YOUTH CHALLENGE FUND

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Commitments:

Multi-year funding agreements:

The YCF Board approved grants in the amount of \$44,410,677 as at March 31, 2010 to be distributed to organizations within 13 priority neighbourhoods. The balance of the approved funding, which was not distributed as at March 31, 2010, will be distributed as follows:

2011	\$ 15,649,658
2012	4,562,349
2013	6,605,971
	<hr/>
	\$ 26,817,978

8. Restricted net assets:

Restricted net assets represent unspent amounts received from the Province, together with public and private donations and interest. These funds will be granted in accordance with the YCF administrative agreement that is expected to be extended until March 31, 2013, with the option of annual renewal upon mutual agreement of the parties.

9. Financial instruments:

(a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Marketable securities are primarily exposed to interest rate and market risks.

YCF mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances.

(b) Credit risk:

Donations receivable are subject to credit risk. Cash and marketable securities are held in creditworthy financial institutions.

YOUTH CHALLENGE FUND

Schedule of Operating Expenses

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Personnel costs	\$ 742,563	\$ 761,310
Rent and operating costs	99,082	96,313
General and office and administration	57,471	97,567
Equipment rental	22,408	21,355
Professional services	21,313	69,719
Amortization of capital assets	11,245	22,532
Marketing and communication	7,611	15,735
	<u>\$ 961,693</u>	<u>\$ 1,084,531</u>