

CHOICES ASSOCIATION INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013



Bell & Company LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Directors of:
CHOICES Association Inc.**

We have audited the accompanying financial statements of CHOICES Association Inc., which comprise the statement of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, the statement of operations, changes in net assets and cash flows for the year ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of CHOICES Association Inc. based on the financial reporting provisions of the Program Guidelines of the Ministry of Community and Social Services.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting of the Program Guidelines of the Ministry of Community and Social Services, 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 our 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, we consider internal control relevant to the entity's preparation 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives most of its revenue from donations, grants and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our work in respect of this revenue was limited to accounting for the amounts recorded in the accounts of the organization, and we were not able to determine whether any adjustments might be necessary to excess (deficiency) of revenue over expenditures for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of CHOICES Association Inc. as at March 31, 2013, March 31, 2012, and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with the financial reporting provisions of the Program Guidelines of the Ministry of Community and Social Services.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, that outlines the nature and effects of the adoption of Canadian accounting standards for not-for-profit organizations on April 1, 2012, with a transition date of April 1, 2011. The financial statements are prepared to assist CHOICES Association Inc. to comply with the financial reporting provisions of the Program Guidelines of the Ministry of Community and Social Services. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for use of the Directors and the Funder of CHOICES Association Inc. and should not be distributed to or used by parties other than CHOICES Association Inc. and the Ministry of Community and Social Services.

June 17, 2013
Burlington, Ontario



Bell & Company LLP
Chartered Accountants
Licensed Public Accountants

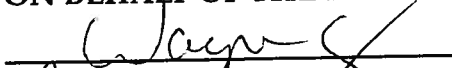
CHOICES ASSOCIATION INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013

ASSETS

	2013	2012	2011
	\$	\$	\$
CURRENT ASSETS			
Cash and equivalents	327,260	381,894	169,382
Temporary investments (Note 3)	35,605	-	29,593
Accounts receivable (Note 3)	104,419	72,918	139,457
HST receivable	139,510	155,058	124,415
Prepaid expenses	15,921	32,919	15,612
Inventory (Note 5)	35,088	43,302	55,361
Due from CHOICES Foundation Inc. (Note 10)	-	11,043	(10)
	657,803	697,134	533,810
 PROPERTY, PLANT AND EQUIPMENT			
Land and buildings -unrestricted (Notes 3 and 7)	1,336,631	1,394,091	1,595,589
Land and buildings- restricted (Notes 3 and 7)	1,546,703	1,574,173	1,600,789
	2,883,334	2,968,264	3,196,378
	3,541,137	3,665,398	3,730,188
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	588,082	619,029	556,559
Deferred contributions (Note 8)	-	40	3,331
MOH Capital Reserve	35,605	32,592	29,593
Current portion of long term debt	584,424	216,905	95,716
	1,208,111	868,566	685,199
 LONG TERM DEBT			
Mortgages payable (Note 9)	627,763	1,080,212	1,429,515
 NET ASSETS			
Net assets in Nevada lottery fund	8,319	7,666	7,048
Net assets Internally Restricted (Note 12)	123,000	-	-
Net assets in operating fund	1,573,944	1,708,954	1,608,426
	1,705,263	1,716,620	1,615,474
	3,541,137	3,665,398	3,730,188

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Director



Director



CHOICES ASSOCIATION INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash provided from (used in) operations		
Excess of expenses over revenue for the year	(11,357)	101,146
Charges to revenue and expenditures not involving cash		
Gain on sale of property, plant & equipment	-	(123,766)
Amortization	84,930	81,030
	<u>73,573</u>	<u>58,410</u>
Net change in non-cash working capital items (Note 15)	<u>(18,714)</u>	<u>92,826</u>
	<u>54,859</u>	<u>151,236</u>
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		
Advances from (repayment of) related party loans	11,043	(11,053)
Repayment of mortgages	(84,932)	(228,116)
	<u>(73,889)</u>	<u>(239,169)</u>
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	-	270,850
Redemption of (acquisition of) temporary investments	(35,604)	29,595
	<u>(35,604)</u>	<u>300,445</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(54,634)	212,512
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>381,894</u>	<u>169,382</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>327,260</u></u>	<u><u>381,894</u></u>

CHOICES ASSOCIATION INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2013

	Nevada Lottery Fund	Internally Restricted Reserve Fund (Note 12)	Operating Fund	2013	2012
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance, beginning of year	7,666	-	1,708,954	1,716,620	1,615,474
Interfund transfer		123,000	(123,000)	-	-
Excess of revenue over expenses (expenses over revenue)	653	-	(12,010)	(11,357)	101,146
Balance, end of year	<u>8,319</u>	<u>123,000</u>	<u>1,573,944</u>	<u>1,705,263</u>	<u>1,716,620</u>

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Community programs		
Day Program (Schedule 1)	950,919	780,519
Family Home (Schedule 2)	731,200	736,232
S.I.L. (Schedule 3)	251,664	275,390
Residential programs (Schedule 4)	5,765,600	6,019,238
Passport (Schedule 5)	145,947	355,436
Small Water Works (Schedule 6)	20,000	20,000
	<u>7,865,331</u>	<u>8,186,815</u>
EXPENSES		
Community programs		
Day Program (Schedule 1)	950,919	780,519
Family Home (Schedule 2)	731,200	736,232
S.I.L. (Schedule 3)	251,664	275,390
Residential programs (Schedule 4)	5,825,151	6,019,238
Passport (Schedule 5)	145,947	355,436
Small Water Works (Schedule 6)	20,000	20,000
	<u>7,924,881</u>	<u>8,186,815</u>
SURPLUS (DEFICIENCY) FOR MCSS FUNDED PROGRAMS	<u>(59,550)</u>	<u>-</u>
REVENUE		
Agency programs		
Agency (Schedule 7)	265,692	274,818
Hildegard (Schedule 8)	-	-
IRC (Schedule 9)	93,593	118,804
The Mulberry Bush (Schedule 10)	32,896	31,940
	<u>392,181</u>	<u>425,561</u>
EXPENSES		
Agency programs		
Agency (Schedule 7)	235,939	151,909
Hildegard (Schedule 8)	-	21,306
IRC (Schedule 9)	75,154	119,261
The Mulberry Bush (Schedule 10)	32,896	31,940
	<u>343,989</u>	<u>324,416</u>
SURPLUS FOR AGENCY PROGRAMS	<u>48,193</u>	<u>101,146</u>
SURPLUS (DEFICIENCY) FOR THE YEAR	<u>(11,357)</u>	<u>101,147</u>

(Schedule 1)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - DAY PROGRAM
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MCSS program revenue	878,725	705,908
Paper products program	48,587	65,208
Passport funding	23,088	9,403
Miscellaneous income	520	-
	<u>950,919</u>	<u>780,519</u>
EXPENSES		
Salaries and employee benefits	661,733	539,532
Purchased services	58,104	23,012
Administration (Schedule 12)	48,419	53,233
Training incentives	43,844	12,667
Vehicle operation and maintenance	36,029	6,479
Supplies and food	31,119	9,097
Utilities	20,193	12,832
Repairs and maintenance	18,360	13,686
Insurance	12,198	5,283
Staff travel	6,791	3,521
Paper products	6,031	26,602
Rent	3,973	-
Miscellaneous	3,048	-
Mulberry Bush/Little Craft Store	1,902	77,126
Rental equipment	1,249	2,769
Staff training	364	1,281
Advertising and promotion	158	1,047
Personal needs	9	168
Expense recovery	(2,605)	(7,816)
	<u>950,919</u>	<u>780,519</u>
EXCESS OF REVENUE OVER EXPENSES		
- DAY PROGRAM	<u><u>-</u></u>	<u><u>-</u></u>

(Schedule 2)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - FAMILY HOME PROGRAM
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MCSS program revenue	460,037	460,036
ODSP revenue	271,163	276,196
	<u>731,200</u>	<u>736,232</u>
EXPENSES		
Homeprovider reimbursement	347,074	364,768
Salaries and employee benefits	224,634	200,170
Administration (Schedule 12)	49,444	62,410
Rent	41,064	40,012
Comfort allowance	31,904	33,460
Utilities	10,915	7,597
Staff travel	9,875	14,878
Repairs and maintenance	6,631	4,692
Insurance	3,783	3,574
Supplies	1,846	1,484
Miscellaneous	1,699	33
Staff training	1,218	768
Rental equipment	740	1,452
Vehicle operation and maintenance	277	-
Food	209	-
Advertising and promotion	127	936
Expense recovery	(239)	-
	<u>731,200</u>	<u>736,232</u>
EXCESS OF REVENUE OVER EXPENSES		
- FAMILY HOME PROGRAM	<u><u>-</u></u>	<u><u>-</u></u>

(Schedule 3)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES
SUPPORTED INDEPENDENT LIVING - (S.I.L.)
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MCSS program revenue	251,664	273,390
Miscellaneous revenue	-	2,000
	<u>251,664</u>	<u>275,390</u>
EXPENSES		
Salaries and employee benefits	219,998	207,175
Administration (Schedule 12)	11,442	35,662
Staff travel	10,171	10,008
Rent	5,693	7,501
Purchased services	1,907	2,895
Utilities	1,520	6,278
Repairs and maintenance	892	1,446
Supplies	569	1,663
Insurance	485	2,167
Staff training	422	209
Vehicle	327	-
Food	96	-
Personal needs	63	-
Advertising and promotion	20	174
Rental equipment	-	206
Miscellaneous	-	5
Expense recovery	(1,941)	-
	<u>251,664</u>	<u>275,390</u>
EXCESS OF REVENUE OVER EXPENSES		
- S.I.L.	<u>-</u>	<u>-</u>

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - GROUP LIVING SUPPORT
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MCSS program revenue	5,021,984	4,893,761
Over commitment revenue	242,600	652,570
ODSP revenue	407,149	390,485
Urgent response	76,825	64,896
CAS revenue	17,042	17,526
	<u>5,765,600</u>	<u>6,019,238</u>
 EXPENSES		
Salaries and employee benefits	4,218,552	3,830,608
Purchased services	658,263	818,021
Administration (Schedule 1A)	358,508	592,308
Food	108,205	101,163
Utilities	96,281	85,918
Rent	89,283	84,355
Repairs and maintenance	88,062	286,064
Vehicle operation and maintenance	77,209	98,602
Supplies	56,001	43,908
Insurance	40,267	37,234
Comfort allowance	28,834	29,686
Staff training	20,804	12,795
Staff travel	16,118	15,624
Rental equipment	13,483	13,033
Personal needs	2,094	5,240
Miscellaneous	1,248	364
Advertising and promotion	1,085	6,078
Expense recovery	(49,146)	(41,763)
	<u>5,825,151</u>	<u>6,019,238</u>
 EXCESS OF EXPENSES OVER REVENUE		
- GROUP LIVING SUPPORT	<u>(59,551)</u>	<u>-</u>

(Schedule 5)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - PASSPORT
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Program revenue	117,611	343,486
Passport funding - clients	28,336	11,950
	<u>145,947</u>	<u>355,436</u>
EXPENSES		
Salaries and employee benefits	92,557	273,173
Administration (Schedule 12)	12,369	30,423
Rent	11,575	11,093
Vehicle operation	7,961	10,751
Purchased services	7,943	8,448
Staff travel	3,656	4,109
Utilities	3,603	8,034
Repairs and maintenance	2,350	7,065
Insurance	1,940	1,913
Supplies	913	1,864
Service recipient incentive	520	620
Food	235	402
Staff training	192	220
Rental equipment	149	359
Advertising and promotion	35	234
Miscellaneous	9	9
Expense allocation (recovery)	(60)	(3,281)
	<u>145,947</u>	<u>355,436</u>
EXCESS OF REVENUE OVER EXPENSES		
- PASSPORT	<u><u>-</u></u>	<u><u>-</u></u>

(Schedule 6)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES
SMALL WATER WORKS
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Program revenue	<u>20,000</u>	<u>20,000</u>
EXPENSES		
Repairs and maintenance	11,943	15,222
Testing expenses	5,285	-
Salaries and employee benefits	2,720	4,778
Supplies	52	-
	<u>20,000</u>	<u>20,000</u>
EXCESS OF REVENUE OVER EXPENSES		
- SMALL WATER WORKS	<u>-</u>	<u>-</u>

(Schedule 7)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - AGENCY
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MCSS - minor capital subsidy	205,475	8,550
Rent - Mohawk	30,531	56,061
Rent - Silver	24,658	24,658
Fundraising	2,196	14,164
Interest income	2,092	872
Memberships	645	590
Donations - individuals	95	500
Gain on sale of Hildegard residence	-	123,766
Transfer from CHOICES Foundation Inc.	-	30,000
MCSS - capital subsidy	-	15,657
	<u>265,692</u>	<u>274,818</u>
EXPENSES		
MCSS - minor capital purchases	205,475	38,260
Amortization - Silver	15,394	14,698
Mohawk expenses	11,388	16,343
Silver expenses	9,264	9,961
Committees: Executive	7,724	3,726
Fundraising	1,314	726
Volunteer expenses	62	-
MCSS - capital purchases	-	15,657
Employee Purpose Fund	-	12,821
Amortization - Mohawk	(14,682)	39,717
	<u>235,939</u>	<u>151,909</u>
EXCESS OF REVENUE OVER EXPENSES		
- AGENCY	<u>29,754</u>	<u>122,909</u>

(Schedule 8)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - HILDEGARD
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Program revenue	<u>-</u>	<u>-</u>
EXPENSES		
Mortgage payments	-	10,884
Repairs and maintenance	-	9,218
Utilities	-	1,204
	<u>-</u>	<u>21,306</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
- HILDEGARD	<u>-</u>	<u>(21,306)</u>

(Schedule 9)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES
INDIVIDUAL RESIDENTIAL CARE (IRC)
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Program revenue	<u>93,593</u>	<u>118,804</u>
EXPENSES		
Purchased services	42,254	92,140
Salaries and employee benefits	21,173	16,630
Administration (Schedule 12)	6,372	6,372
Personal needs	3,105	3,745
Staff travel	2,284	538
Supplies	266	58
Repairs and maintenance	-	217
Staff training	-	140
Utilities	-	(2)
Expense allocation (recovery)	<u>(300)</u>	<u>(577)</u>
	<u>75,154</u>	<u>119,261</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
- IRC	<u>18,439</u>	<u>(457)</u>

(Schedule 10)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - THE MULBERRY BUSH
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Sales	<u>32,896</u>	<u>31,940</u>
COST OF SALES		
Opening inventory	43,302	55,361
Purchases	<u>8,749</u>	<u>18,164</u>
	52,051	73,525
Ending inventory	<u>35,088</u>	<u>43,302</u>
	<u>16,964</u>	<u>30,223</u>
GROSS PROFIT	<u>15,932</u>	<u>1,717</u>
EXPENSES		
Rent	36,000	36,000
Salaries and employee benefits	14,002	26,477
Utilities	5,635	6,826
Supplies	3,869	3,824
Repairs and maintenance	1,503	1,759
Bank charges	975	-
Travel	921	63
Advertising and promotion	445	2,369
Vehicle operation	349	-
Purchased services	309	-
Administration	306	1,482
Staff training	37	-
Expense recovery	<u>(48,419)</u>	<u>(77,083)</u>
	<u>15,932</u>	<u>1,717</u>
EXCESS OF REVENUE OVER EXPENSES		
- THE MULBERRY BUSH	<u><u>-</u></u>	<u><u>-</u></u>

(Schedule 11)

CHOICES ASSOCIATION INC.
STATEMENT OF REVENUE AND EXPENSES - MINISTRY OF HOUSING
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
MOH - operating revenue	84,756	84,796
Rental income	14,170	13,080
	<u>98,926</u>	<u>97,876</u>
EXPENSES - CARLISLE		
Building maintenance	16,829	2,461
Amortization	13,664	13,308
Interest - long-term	10,675	11,031
Utilities	5,510	7,038
Administration (Schedule 12)	4,080	4,080
Grounds maintenance	735	2,871
Dues and fees	150	150
Insurance	-	-
	<u>51,643</u>	<u>40,939</u>
EXPENSES - ROCKTON		
Amortization	13,664	13,308
Interest - long-term	12,522	11,031
Utilities	11,535	12,230
Administration (Schedule 12)	4,080	4,080
Grounds maintenance	1,472	4,265
Building maintenance	1,112	7,856
Dues and fees	150	150
Security	-	1,269
Insurance	-	-
	<u>44,535</u>	<u>54,189</u>
Capital reserve allowance	<u>2,748</u>	<u>2,748</u>
	<u>98,926</u>	<u>97,876</u>
NET REVENUE OVER EXPENSES		
- MOH	<u><u>-</u></u>	<u><u>-</u></u>

CHOICES ASSOCIATION INC.
STATEMENT OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
	\$	\$
EXPENSES		
Salaries and employee benefits	291,256	355,566
Transition cost	100,440	281,590
Purchased services	51,333	88,178
Rent	32,867	31,338
Repairs and maintenance	8,033	6,493
Insurance	4,191	1,941
Supplies	4,112	3,492
Utilities and taxes	3,172	6,072
Bank charges and interest	2,720	3,405
Miscellaneous	1,978	2,147
Staff training	1,427	321
Rental equipment	1,293	1,310
Staff travel	1,214	4,932
Administration costs	191	-
Advertising and promotion	172	1,783
	504,399	788,568
 ALLOCATION TO PROGRAMS		
Rockton - MCSS program	61,624	92,081
Westfield Lifeskills	53,683	53,233
Harvest Road	53,268	104,771
Family Home	49,444	62,410
Silver Road	44,498	78,413
Carlisle Road - MCSS program	42,100	80,880
Orkney Road	41,976	83,179
Dennis Road	41,863	81,724
Duncan	41,863	319
Meaghan Street	31,316	70,941
Passport	12,369	30,423
S.I.L.	11,442	35,662
Individual At Risk	6,372	6,372
Mohawk	4,421	-
Carlisle Road - MOH program	4,080	4,080
Rockton - MOH program	4,080	4,080
	504,399	788,568

CHOICES ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

1 NATURE OF OPERATIONS AND TAX STATUS

CHOICES Association Inc. is a non-taxable, not-for-profit organization, which provides services to individuals who are developmentally challenged. The Association is a registered charitable organization, and is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2 ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012 the association adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNFPO). These are the Association's first financial statements prepared in accordance with ASNFPO and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting standards set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and the opening ASNFPO statement of financial position at April 1, 2011, the Association's date of transition.

The Association issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting XFI. The adoption of ASNFPO had no impact on the previously reported assets, liabilities and fund balances of the Association, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, changes in net assets and the cash flow statement. Certain of the Association's disclosures included in these financial statements reflect the new disclosure requirements of ASNFPO.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the significant accounting policies set out below pursuant to the operating agreement with the Funder.

The basis of accounting used in these financial statements differ from generally accepted accounting standards for not-for-profit organizations in the following ways:

a) MINISTRY OF HOUSING CAPITAL RESERVE

Allocations to the Ministry of Housing Capital Reserve Fund are made through the income statement rather than the statement of funds.

b) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Amortization is provided on restricted capital assets in an amount equal to the reduction in principal balance outstanding on mortgage funds in accordance with Ministry of Housing guidelines. Similarly, amortization is provided on unrestricted capital assets equal to the reduction in principal balance on the outstanding mortgages.

Major repairs, upgrades and expenditures and replacement of capital assets are either funded as an allocation from the Ministry of Housing Capital Reserve Fund, or expensed in the year of acquisition.

c) REVENUE RECOGNITION

CHOICES Association Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when when earned.

d) USE OF ESTIMATES

The preparation of the financial statements in conformity with ASNPO 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. Significant items subject to such estimates and assumptions include the amortization expense and accrued liabilities. Actual results could differ from these estimates.

e) CONTRIBUTED MATERIALS

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the current and prior year the association did not receive any non-cash gifts-in-kind.

f) ATTRIBUTION OF GENERAL ADMINISTRATION EXPENSES

Certain administrative support expenses are attributed to group home expenses based on either task based service or estimated effort expended.

g) FINANCIAL INSTRUMENTS

CICA Handbook Section 3855, "Financial instruments – recognition and measurement," requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the association becomes a party to the contractual provisions of a financial instrument. Upon initial recognition, all financial instruments subject to Section 3855 should be measured at fair value, except for certain related party transactions. The measurement of financial instruments in subsequent fiscal years will be based on their classification: financial assets and liabilities held for trading; investments held to maturity, loans and receivables, available-for-sale financial assets or financial liabilities held for purposes other than for trading.

Financial instruments classified as financial assets and financial liabilities held for trading are recorded at fair value at each balance sheet date and any change in fair value is recognized in income in the period in which the change occurs.

Financial instruments classified as held-to-maturity investments are carried at amortized cost using the effective interest method. Interest is included in income for the year.

Financial instruments classified as loans and receivables, and financial liabilities held for purposes other than for trading, are carried at amortized cost using the effective interest method. Interest income and expenses are included in income for the year.

In accordance with these standards, the Association's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Category	Measurement
Cash and cash equivalents	Held for trading	Fair value
Temporary investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost

Other balance sheet accounts, are not within the scope of the these standards as they are not financial assets or financial liabilities.

4 FINANCIAL INSTRUMENTS

Risk management policy

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

Credit risk

The association's credit risk is attributable to its accounts receivable and its loans and advances. The association provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The association does not normally require a guarantor. For the other debts, the association determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Advances due from related parties are non-interest bearing with no specific terms for repayment. In the opinion of management, the counter party has sufficient net worth available to repay the loans.

Market and interest rate risks

The association is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the association to a fair value risk while the variable-interest instruments subject it to a cash flow risk. The association mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerance.

Fair value of financial instruments

The carrying amount of financial instruments included in current assets and current liabilities approximates fair value due to the short term maturity of these instruments.

The fair value of the long term debt approximates its carrying value as the terms and conditions of the financing arrangements do not differ significantly from current conditions available for similar debt

The fair value of amounts due from related parties cannot be determined as there is no external market for these financial instruments.

Unless otherwise disclosed, the financial instruments of the company are not secured.

5 INVENTORIES

Inventory is comprised of gift items and is valued at the lower of cost and estimated net realizable value with cost being determined on a first-in, first-out basis. Cost includes all direct expenditures and other appropriate costs incurred in bringing inventory to its present location and condition.

The cost of inventory recognized as an expense and included in cost of goods sold and other operating expenses for the year ended March 31, 2013 is \$16,964 (2012 - \$30,224) During the years ended March 31, 2013 and March 31, 2012, there were no significant write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous years were reversed.

6 MINISTRY OF HOUSING CAPITAL RESERVE

The Ministry of Housing Capital Reserve Fund has been established to provide for the future major expenditures of the residences. CHOICES Association Inc. increases this reserve each year by \$2,748.

7 CAPITAL ASSETS

a) CAPITAL ASSETS (Unrestricted)

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2013 \$	2012 \$
Land and Buildings				
Westfield Facility	780,420	-	780,420	780,420
Silver Residence	391,497	201,207	190,290	205,685
Mohawk Building	745,074	379,154	365,920	407,986
	<u>1,916,991</u>	<u>580,360</u>	<u>1,336,631</u>	<u>1,394,091</u>

b) CAPITAL ASSETS (Restricted)

Capital assets acquired through funds provided by the Government of Ontario (Note 9) consist of the following:

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2013 \$	2012 \$
Land and Buildings				
Orkney Rd. Residence	416,741	-	416,741	416,741
Harvest Rd. Residence	473,986	-	473,986	473,986
Carlisle Residence	462,521	125,471	337,050	350,785
Rockton Residence	554,301	235,375	318,926	332,661
	<u>1,907,549</u>	<u>360,846</u>	<u>1,546,703</u>	<u>1,574,173</u>

8 DEFERRED CONTRIBUTIONS

Deferred contributions reported represents the MCSS capital subsidy received in the current period that is related to a subsequent period. The deferred contributions are made up of the following:

	2013 \$	2012 \$
Contributed subsidy for unconditional grant	-	40

9 LONG TERM DEBT

	<u>2013</u>	<u>2012</u>
	\$	\$
Royal Bank of Canada mortgage payable bearing interest at the rate of 3.182% per annum, calculated semi annually, not in advance, repayable in blended monthly instalments of \$4,057, secured by the Carlisle and Rockton residences, maturing November 1, 2014.	655,976	683,446
Royal Bank of Canada mortgage payable bearing interest at the rate of 4.85% per annum, repayable in blended monthly instalments of \$2,511, secured by the Mohawk Building, maturing June 19, 2013.	132,107	155,029
Royal Bank of Canada mortgage payable bearing interest at the rate of 4.66% per annum, calculated semi annually, not in advance, repayable in blended monthly instalments of \$2,054, secured by the Silver Court Residence, maturing February 1, 2014.	190,290	205,685
Royal Bank of Canada mortgage payable bearing interest at the rate of 4.66% per annum, calculated semi annually, not in advance, repayable in blended monthly instalments of \$2,544, secured by the Mohawk Building, maturing January 27, 2014.	<u>233,813</u>	<u>252,957</u>
	1,212,187	1,297,117
Less: Current portion	<u>584,424</u>	<u>216,905</u>
	<u><u>627,763</u></u>	<u><u>1,080,212</u></u>

Annual principal repayments for the next three years are as follows:

	\$
2014	584,424
2015	627,763

10 RELATED PARTY TRANSACTIONS

During the year the association had transactions with a related party, CHOICES Foundation Inc. The relationship is explained in Note 13 to the financial statements. They currently have two operating leases for buildings and seven operating leases for vehicles which expire at various dates from 2012 to 2022. One of the building leases finished in January 2007. The particulars of these transactions and balances owing to/from this association are as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Transactions during the period:		
Purchased services - Dennis Street	24,564	24,564
Purchased services - Meaghan Street	14,241	14,241
Vehicle operation - Silver	4,776	4,776
Vehicle operation - Carlisle	-	4,140
Vehicle operation - Big Win	3,864	3,864
Vehicle operation - Harvest	-	2,415
Vehicle operation - Meaghan	-	1,080
Vehicle operation - Orkney	-	-
Vehicle operation - Duncan	-	-
Balance at end of period:	<u>2013</u>	<u>2012</u>
Due to (from) related company:	\$	\$
CHOICES Foundation Inc.	<u>-</u>	<u>(11,043)</u>

Minimum fixed lease payments in the aggregate for the next three years are as follows:

	\$
Year ending March 31, 2014	47,444
Year ending March 31, 2015	47,444
Year ending March 31, 2016	42,007
	<u>136,895</u>

11 LEASE COMMITMENTS

The future minimum annual lease payments required under various operating leases, including the related party leases above, are as follows:

2014	152,422
2015	152,422
2016	42,675
2017	668

12 INTERNALLY RESTRICTED RESERVE FUND

On April 24, 2012, the Board of Directors resolved to create an Internally Restricted Reserve Fund with proceeds from the sale of the Hildegard residence. Funds in the amount of \$123,000 are restricted by the board, for future real estate purchases or as directed through further resolution of the Board of Directors.

13 CONTINGENT LIABILITIES

CHOICES operates several group homes, the acquisition of which was funded entirely by the Province of Ontario through its respective Ministries: The Ministry of Community and Social Services (MCSS), and the Ministry of Housing (MOH). Accordingly, the Province of Ontario has registered its financial interest on title thereby restricting the disposition of these facilities. In the event of such disposition all proceeds would be returned to the Province of Ontario through the respective Ministries. Due to fluctuations in market values and the uncertainty regarding the timing of any disposition, the extent of such liability is not determinable and has not been recorded in the financial statements.

14 SIGNIFICANT INFORMATION

CHOICES Association Inc. (the Association) has an economic interest in CHOICES Foundation Inc. (the Foundation). The objective of the Foundation is to pursue fundraising activities, which may benefit the Association. Another objective is to raise funds for the Children programs that operate out of the Association. Each month, the foundation pays a portion of the Association's mortgage payment on the Children's residence.

15 STATEMENT OF CASH FLOWS

	<u>2013</u>	<u>2012</u>
	\$	\$
Net change in non-cash working capital items:		
Accounts receivable	(31,501)	66,539
HST Receivable	15,548	(30,643)
Prepaid expenses	16,998	(17,307)
Inventory	8,214	12,059
Accounts payable and accrued liabilities	(30,946)	62,470
Deferred revenue	(40)	(3,291)
MOH Capital Reserve	3,013	2,999
	<u>(18,714)</u>	<u>92,826</u>