

**INNER HOPE YOUTH
MINISTRIES SOCIETY**

FINANCIAL STATEMENTS
December 31, 2021

INNER HOPE YOUTH MINISTRIES SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To: **The Directors of
Inner Hope Youth Ministries Society**

Opinion

We have audited the financial statements of Inner Hope Youth Ministries Society, which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT, continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Reid Hurst Nagy Inc.

REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER, B.C.
APRIL 20, 2022

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF REVENUES AND EXPENSES

For the year ended December 31, 2021

	2021 \$	2020 \$
REVENUES		
Contributions	547,077	506,585
Rental income	34,005	39,006
Other grants and contracts (Note 4)	54,179	81,568
Other revenue including interest	2,796	2,524
	638,057	629,683
EXPENSES		
Audit and accounting fees	13,468	13,877
Depreciation	1,291	797
Direct operating program	47,905	45,170
Facilities	53,350	44,521
Insurance	8,194	7,540
Office and other expenses	24,823	20,327
Payroll and staff development	413,290	400,380
Transportation	19,470	16,361
Volunteer support and training	1,522	1,338
	583,313	550,311
EXCESS OF REVENUES OVER EXPENSES	54,744	79,372

The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2021

	Unrestricted	Internally Restricted (Note 5)	Total 2021	Total 2020
	\$	\$	\$	\$
BALANCE, beginning of the year	182,137	10,984	193,121	113,749
Excess of revenues over expenses	54,738	6	54,744	79,372
BALANCE, end of the year	236,875	10,990	247,865	193,121


The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF FINANCIAL POSITION As at December 31, 2021

	2021 \$	2020 \$
ASSETS		
CURRENT ASSETS		
Cash	277,989	154,829
Accounts receivable	16,256	43,601
Prepaid expenses	16,807	12,784
GST/HST receivable (Note 6)	1,062	813
	312,114	212,027
CAPITAL ASSETS (Note 7)	3,083	3,134
RESTRICTED CASH (Note 5)	10,990	10,984
	326,187	226,145
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	14,922	20,899
Deferred revenue (Note 9)	62,650	11,375
	77,572	32,274
DEPOSITS	750	750
	78,322	33,024
NET ASSETS		
Internally restricted (Note 5)	10,990	10,984
Unrestricted	236,875	182,137
	247,865	193,121
	326,187	226,145

Approved on behalf of the Board:

 Director
 Director

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021 \$	2020 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	54,744	79,372
ADJUSTMENT FOR NON-CASH ITEM		
Depreciation	1,291	797
	56,035	80,169
NET CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	27,345	(9,227)
Prepaid expenses	(4,023)	(6,308)
GST/HST receivable	(249)	1,091
Accounts payable and accrued liabilities	(5,977)	3,840
Deferred revenue	51,275	(8,675)
	124,406	60,890
INVESTING ACTIVITY		
Purchase of capital assets	(1,240)	(1,910)
NET INCREASE IN CASH	123,166	58,980
CASH, beginning of the year	165,813	106,833
CASH, end of the year	288,979	165,813
REPRESENTED BY:		
Cash	277,989	154,829
Restricted cash	10,990	10,984
	288,979	165,813

The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

1: PURPOSE OF THE SOCIETY

Inner Hope Youth Ministries Society was incorporated under the BC Society Act on October 17, 2017 and was registered as a charity under the Income Tax Act on May 5, 2008 with business number 83500 4557 RR0001.

The purposes of the Society are:

- (a) To build mentoring relationships between stable adults and vulnerable youth, young adults and families
- (b) To provide safe, stable, drug and alcohol free housing for youth, young adults and their children; for those coming from environments of addiction, abuse, or abandonment, or who are in other ways deemed 'at-risk'
- (c) To equip youth and young adults with the skills and support needed to break the cycles of poverty, addiction, welfare and abuse and develop into healthy, independent people who are able to contribute positively to society
- (d) To introduce youth, young adults and families to a value system that is faith based
- (e) To advocate for youth, young adults and families in their dealings with educational, health and government institutions
- (f) To solicit or borrow funds necessary to further the objectives of the society; and
- (g) To do all such other things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the powers of the society.

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Society follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(b) Capital assets

Capital assets are recorded at cost. The Society provides for depreciation using the following methods at rates designed to depreciate the cost of the capital assets over their estimated useful lives. The annual depreciation rates and methods are as follows:

Vehicles	5 years Straight-line
Computer equipment	30% Declining balance

Contributed capital assets are not recorded in the financial statements.

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Revenue recognition

The Society uses the deferral method of accounting for contributions. Under this deferral method, contributions related to expenses of future periods or for which externally imposed restrictions remain unfilled are recorded as deferred contributions and are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to the purchase of capital assets are deferred and recognized as revenue in the same year that the related expenses are incurred.

Other revenues are recognized when earned.

(d) Contributed services

A number of volunteers contribute a significant amount of time each year. Due to the difficulty in determining the fair value of these services, they are not recorded in the financial statements.

(e) Income taxes

The Society is exempt from income taxes under the provision of the Income Tax Act as a registered charity.

(f) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenses in the period incurred.

Financial assets measured at amortized cost on a straight line basis include cash, accounts receivable and GST/HST receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial instruments, continued

(ii) Impairment

For financial assets measured at cost or amortized cost, the Society determines whether there are indications of possible impairment. When there is an indication of impairment, and the Society determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in excess of revenues over expenses in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in excess of revenues over expenses over the life of the instrument using the straight-line method.

(g) Measurement uncertainty

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 and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

3: FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2021.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Society is a going concern and thus expects to fully repay the outstanding amounts. In the opinion of management the fair value risk exposure to the Society low and is not material.

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

3: FINANCIAL INSTRUMENTS, continued

(b) Liquidity risk

The Society does have a liquidity risk in the accounts payable and accrued liabilities of \$14,922 (2020-\$20,899). Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Society low and is not material.

4: OTHER GRANTS AND CONTRACTS

	2021	2020
	\$	\$
Canada Emergency Rent Subsidy	1,794	1,267
Canada Emergency Wage Subsidy	40,032	62,731
Other government grants	12,353	9,572
Temporary Wage Subsidy	-	7,998
	54,179	81,568

5: INTERNALLY RESTRICTED NET ASSETS

On September 19, 2010, the Board of Directors passed a resolution to begin a Capital Campaign to raise funds to purchase a house. \$10,000 was transferred from the General fund to the Capital fund in 2010. These funds have been separately invested in an interest-bearing account.

In 2014, the Society entered into a long-term lease with a local foundation who purchased a house for the Society's use. The term of the lease was from August 18, 2014 through August 17, 2024 with annual rent of \$1 per annum. Notice of termination of the lease was provided in December 2021, with the lease ending on March 31, 2022.

6: GST/HST RECEIVABLE

As a registered charity, the Society is eligible to apply for a 50% rebate of the 5% Federal GST/HST paid. There is no rebate available to charities for provincial sales taxes paid.

7: CAPITAL ASSETS

	Cost	Accumulated depreciation	2021 Net	2020 Net
	\$	\$	\$	\$
Computer equipment	12,054	8,971	3,083	3,134
Vehicles	25,076	25,076	-	-
	37,130	34,047	3,083	3,134

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
	\$	\$
Accrued liabilities	5,000	5,000
Due to government agencies	839	2,452
Trade payable	9,083	13,447
	<u>14,922</u>	<u>20,899</u>

9: DEFERRED REVENUE

During 2021, the Society received a contribution from a foundation towards operating program expenses covering 2021 and 2022. The portion of the contributions that relate to 2022 expenses (\$7,500) have been deferred and will be recognized in 2022. Deferred revenue also includes \$55,150 in contributions received specifically for moving and renovation expenses to be incurred in 2022 for a new rental home.

	2021	2020
	\$	\$
Opening balance	11,375	20,050
Amounts received	70,150	21,375
Revenue recognized	(18,875)	(30,050)
	<u>62,650</u>	<u>11,375</u>

10: COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Society's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus could have a material impact on the Society's operations. The Society applied for and received a number of federal subsidies to help offset the impact of the pandemic as outlined in Note 4.

The extent of the impact of this outbreak and related containment measures on the Society's operations cannot be reliably estimated at this time.