

**INNER HOPE YOUTH
MINISTRIES SOCIETY**

**FINANCIAL STATEMENTS
December 31, 2022**

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 ("Society"), which comprise the statement of financial position as at December 31, 2022, 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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (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 Societies Act of British Columbia, we report in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads "Reid Hurst Nagy Inc." in a cursive script.

REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER, B.C.
APRIL 14, 2023

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF REVENUES AND EXPENSES

For the year ended December 31, 2022

	2022	2021
	\$	\$
REVENUES		
Contributions	692,819	547,077
Rental income	46,360	34,005
Other grants and contracts (Note 4)	8,661	54,179
Other revenue including interest	5,121	2,796
	752,961	638,057
EXPENSES		
Audit and accounting fees	14,594	13,468
Depreciation	1,212	1,291
Direct operating program	69,546	47,905
Facilities	153,334	53,350
Insurance	9,083	8,194
Office and other expenses	29,010	24,823
Payroll and staff development (Note 5)	438,474	413,290
Transportation	21,309	19,470
Volunteer support and training	1,398	1,522
	737,960	583,313
EXCESS OF REVENUES OVER EXPENSES	15,001	54,744

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, 2022

	Unrestricted	Internally Restricted (Note 6)	Total 2022	Total 2021
	\$	\$	\$	\$
BALANCE, beginning of the year	236,875	10,990	247,865	193,121
Excess of revenues over expenses	14,919	82	15,001	54,744
BALANCE, end of the year	251,794	11,072	262,866	247,865

The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF FINANCIAL POSITION As at December 31, 2022

	2022	2021
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	248,620	277,989
Accounts receivable	22,890	16,256
Prepaid expenses	16,270	16,807
GST/HST receivable (Note 7)	1,534	1,062
	<u>289,314</u>	<u>312,114</u>
CAPITAL ASSETS (Note 8)	4,530	3,083
RESTRICTED CASH (Note 6)	11,072	10,990
	<u>304,916</u>	<u>326,187</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	16,789	14,922
Deferred revenue (Note 10)	24,511	62,650
	<u>41,300</u>	<u>77,572</u>
DEPOSITS	750	750
	<u>42,050</u>	<u>78,322</u>
NET ASSETS		
Internally restricted (Note 6)	11,072	10,990
Unrestricted	251,794	236,875
	<u>262,866</u>	<u>247,865</u>
	<u>304,916</u>	<u>326,187</u>

Approved on behalf of the Board:

S. Haakstad Director

Carrie Peters Director

The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	15,001	54,744
ADJUSTMENT FOR NON-CASH ITEM		
Depreciation	1,212	1,291
	16,213	56,035
NET CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	(6,634)	27,345
Prepaid expenses	537	(4,023)
GST/HST receivable	(472)	(249)
Accounts payable and accrued liabilities	1,868	(5,977)
Deferred revenue	(38,139)	51,275
	(26,627)	124,406
INVESTING ACTIVITIES		
Purchase of capital assets	(2,660)	(1,240)
Restricted cash	(82)	(6)
	(2,742)	(1,246)
NET INCREASE (DECREASE) IN CASH	(29,369)	123,160
CASH, beginning of the year	277,989	154,829
CASH, end of the year	248,620	277,989

The accompanying notes are an integral part of these financial statements

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

1: PURPOSE OF THE SOCIETY

Inner Hope Youth Ministries Society ("Society") was incorporated under the Societies Act of British Columbia 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:

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

Contributed capital assets are not recorded in the financial statements.

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022

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. Specific estimates were made in these financial for the collectability of accounts receivable, useful lives of tangible capital assets and related depreciation expenses, and accrued liabilities and related expenses.

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, 2022.

(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, 2022

3: FINANCIAL INSTRUMENTS, continued

(b) Liquidity risk

The Society does have a liquidity risk in the accounts payable and accrued liabilities of \$16,789 (2021-\$14,922). 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

	2022	2021
	\$	\$
Canada Emergency Rent Subsidy	-	1,794
Canada Emergency Wage Subsidy	-	40,032
Other government grants	8,661	12,353
	<hr/>	<hr/>
	8,661	54,179

5: REMUNERATION

The Societies Act of British Columbia requires disclosure of remuneration paid to all directors, the ten highest paid employees and contractors who are paid above \$75,000 annually.

No management or key personnel received remuneration over \$75,000 in the 2022 and 2021 fiscal years.

6: 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. These funds have been separately invested in an interest-bearing account.

7: 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.

INNER HOPE YOUTH MINISTRIES SOCIETY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2022

8: CAPITAL ASSETS

	Cost	Accumulated depreciation	2022 Net	2021 Net
Computer equipment	\$ 14,714	\$ 10,184	\$ 4,530	\$ 3,083
Vehicles	25,076	25,076	-	-
	<u>39,790</u>	<u>35,260</u>	<u>4,530</u>	<u>3,083</u>

9: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
	\$	\$
Accrued liabilities	5,500	5,000
Due to government agencies	1,198	839
Trade payable	10,091	9,083
	<u>16,789</u>	<u>14,922</u>

10: DEFERRED REVENUE

During 2022, the Society received a contribution from a foundation towards operating program expenses covering 2022 and 2023. The portion of the contributions that relate to 2022 expenses (\$7,500) was recognized in 2022. Deferred revenue also includes \$9,511 in contributions received specifically for moving and renovation expenses to be incurred in 2023 for the new rental home, and \$15,000 for others.

	2022	2021
	\$	\$
Opening balance	62,650	11,375
Amounts received	44,738	70,150
Revenue recognized	(82,877)	(18,875)
	<u>24,511</u>	<u>62,650</u>