

TEEN CHALLENGE OF CENTRAL CANADA INC.

Non-consolidated Financial Statements
For the year ended December 31, 2023
(Unaudited)

TEEN CHALLENGE OF CENTRAL CANADA INC.

Non-consolidated Financial Statements

For the year ended December 31, 2023

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Independent Practitioner's Review Engagement Report

To the Directors of Teen Challenge of Central Canada Inc.

We have reviewed the accompanying non-consolidated financial statements of Teen Challenge of Central Canada Inc. (the "Organization") that comprise the non-consolidated statement of financial position as at December 31, 2023, and the non-consolidated statement of operations, non-consolidated statement of changes in net assets and non-consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines it is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying non-consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of non-consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the Organization, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these non-consolidated financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained over these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our conclusion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.



Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the non-consolidated financial statements do not present fairly, in all material respects, the financial position of Teen Challenge of Central Canada Inc. as at December 31, 2023, 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 7, 2024

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Statement of Financial Position
(Unaudited)

December 31 **2023** **2022**

Assets

Current Assets

Cash and bank (Note 2)	\$ 2,251,494	\$ 2,441,610
Accounts receivable	100,140	178,378
Inventories (Note 3)	1,034,112	776,336
Prepaid expenses	238,008	163,301
	3,623,754	3,559,625

Capital assets (Note 4)	7,953,805	7,079,607
	\$ 11,577,559	\$ 10,639,232

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities (Note 5)	\$ 357,676	\$ 351,894
Current portion of long-term debt (Note 6)	180,127	389,802
Deferred revenue	55,357	371,611
Deposits	2,300	13,348
	595,460	1,126,655

Long-term debt (Note 6)	1,771,329	1,909,087
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Deferred contributions (Note 7)	2,514,595	2,684,528
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Long-term deferred revenue	221,060	221,060
	5,102,444	5,941,330

Net Assets

Invested in capital assets (Note 9)	3,487,754	2,096,190
Unrestricted	2,987,361	2,601,712
	6,475,115	4,697,902
	\$ 11,577,559	\$ 10,639,232

Approved on behalf of the Board of Directors:

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Signed by:



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Director

Director

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Statement of Changes in Net Assets
(Unaudited)

For the year ended December 31

	Investment in Capital Assets	Unrestricted	Total
Balance as at December 31, 2021	\$ 1,564,455	\$ 1,582,298	\$ 3,146,753
(Deficiency) excess of revenue over expenditures for the year	(343,311)	1,894,460	1,551,149
Net change in investment in capital assets (Note 9)	875,046	(875,046)	-
Balance as at December 31, 2022	2,096,190	2,601,712	4,697,902
(Deficiency) excess of revenue over expenditures for the year	(389,400)	2,166,613	1,777,213
Net change in investment in capital assets (Note 9)	1,780,964	(1,780,964)	-
Balance as at December 31, 2023	\$ 3,487,754	\$ 2,987,361	\$ 6,475,115

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Statement of Operations
(Unaudited)

For the year ended December 31	2023	2022
Revenue		
Donations		
Canvassing	\$ 56,164	\$ 69,899
Gift in kind	761,280	445,699
Mail	2,096,903	2,001,859
Online	429,016	423,788
Other	-	5,175
Administration and induction fees	202,893	157,644
Amortization of deferred contributions	239,736	241,327
Candy and missions	96,818	105,810
Church meeting and support	252,220	348,222
Contract work	228,799	176,175
Fundraising and special projects	1,532,173	1,901,117
Golf tournament	180,531	313,097
Other	993,413	602,649
Rental income	295,443	134,346
Sponsor pre-approved	-	144,892
Thrift store and sales	4,729,367	4,120,789
Vehicle donation program, net (Page 19)	1,612,279	1,106,908
	13,707,035	12,299,396
Deferred revenue, beginning of year	592,671	283,600
Deferred revenue, end of year	(276,417)	(592,671)
	14,023,289	11,990,325
Expenditures (see schedule)	12,276,457	10,485,592
Excess of revenue over expenditures before other item	1,746,832	1,504,733
Other Item		
Gain on sale of capital assets	30,381	46,416
Excess of revenue over expenditures for the year	\$ 1,777,213	\$ 1,551,149

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Statement of Cash Flows
(Unaudited)

For the year ended December 31	2023	2022
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	\$ 1,777,213	\$ 1,551,149
Adjustments for items not affecting cash		
Amortization of capital assets	659,517	631,054
Amortization of deferred contributions	(239,736)	(241,327)
Gain on sale of capital assets	(30,381)	(46,416)
Gift in kind property	(360,000)	-
	1,806,613	1,894,460
Changes in non-cash operating working capital balances		
Accounts receivable	78,238	(85,216)
Prepaid expenses	(74,707)	(55,896)
Inventories	(257,776)	(442,778)
Accounts payable and accrued liabilities	5,782	150,003
Deferred revenue	(316,254)	309,071
Deposits	(11,048)	8,763
	1,230,848	1,778,407
Cash Flows used in Investing Activities		
Proceeds on disposal of capital assets	24,749	61,885
Purchase of capital assets	(1,168,083)	(1,487,967)
	(1,143,334)	(1,426,082)
Cash Flows from (used in) Financing Activities		
Repayment (issuance) of long-term debt	(347,433)	155,695
Contributions received to fund capital assets	69,803	395,341
Recognition of contributions related to assets sold	(360,000)	-
	(637,630)	551,036
Net increase (decrease) in cash and cash equivalents during the year	(550,116)	903,361
Cash and cash equivalents, beginning of year	2,441,610	1,538,249
Cash and cash equivalents, end of year	\$ 1,891,494	\$ 2,441,610

TEEN CHALLENGE OF CENTRAL CANADA INC.

Notes to Non-consolidated Financial Statements

(Unaudited)

For the year ended December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

Teen Challenge of Central Canada Inc. (the "Organization") is a Manitoba company registered with Canada Revenue Agency as a not-for-profit charitable organization, registration No. 14078 4406 RR0001. The Organization has partnered with the provincial government for the successful living program, which offers various training programs. The Organization also provides drug and alcohol rehabilitation through spiritual, vocational and academic training.

Basis of Accounting

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Accounting for controlled Entity

The Organization has not consolidated the financial statements of its controlled entity, The Lighthouse Evangelistic Association Inc. The summary financial statements of the controlled entity is disclosed in Note 11.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions which include donations.

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.

Donations, grants, administration and induction fees, other fundraising revenue, contract work and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from thrift stores is recognized when all significant risks and rewards are transferred and collection is reasonably assured.

Rental income is recognized as per the lease terms.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Deferred revenue represents the funds collected for which services have not yet been provided.

TEEN CHALLENGE OF CENTRAL CANADA INC.

Notes to Non-consolidated Financial Statements (Unaudited)

For the year ended December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Inventories

Inventories are stated at the lower of cost (as determined by purchase or donation-in-kind valuation) and replacement cost. Cost is generally determined on the first-in, first-out basis.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair market value at the date of the contribution.

Amortization is provided for using the following rates and methods:

Buildings	20 years straight-line basis
Furniture and equipment	5 - 10 years straight-line basis
Vehicles	8 years straight-line basis
Leasehold improvements	over the term of the lease

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

2. Cash and Bank

The Organization has an approved line of credit with TD Bank for a maximum of \$250,000 with an interest rate of prime plus 1.35% per annum (8.55% as at December 31, 2023) payable monthly and is secured by the property at 260 Jean Marc road. The line of credit was unutilized as at December 31, 2023 and 2022.

3. Inventories

	2023	2022
Building supplies	\$ 96,663	\$ 90,253
Prizes	27,606	130,974
Trade dollars	27,710	34,623
Vehicles	819,366	473,181
Other	62,767	47,305
	\$ 1,034,112	\$ 776,336

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 119,343	\$ -	\$ 119,343	\$ -
Buildings	8,796,132	2,803,600	8,436,133	2,420,859
Furniture and equipment	1,397,710	1,179,736	1,320,868	1,041,461
Vehicles	971,635	491,939	848,696	365,392
Leasehold improvements	73,451	50,250	73,451	47,297
Construction in progress	1,121,059	-	156,125	-
	\$ 12,479,330	\$ 4,525,525	\$ 10,954,616	\$ 3,875,009
Net book value		\$ 7,953,805		\$ 7,079,607

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

4. Capital Assets (continued)

In 1998, the Organization received land and a building at 414 Edmonton Street, Winnipeg, Manitoba from the City of Winnipeg as a donation. Pursuant to the terms of the agreement, the property must be used for the purpose of a faith-based residential treatment program for substance abusers. Should the property be no longer utilized for the above stated purpose, the property will revert back to the ownership of the City of Winnipeg.

Included in capital assets is \$4,950,338 (\$4,880,535 in 2022) in buildings, furniture and equipment, and vehicles that have been donated or were purchased with donated funds. Accumulated amortization relating to these assets amounted to \$2,435,744 as at December 31, 2023 (\$2,196,008 in 2022).

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$8,143 (\$11,116 in 2022) in government remittances payable.

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

6. Long-term Debt

	<u>2023</u>	<u>2022</u>
Mortgage payable to Royal Bank of Canada at 2.39%, repayable in monthly instalments of \$7,050, principal and interest, maturing on May 26, 2026. The mortgage is secured by property in Winnipeg (83 Kate Street, Winnipeg, MB).	\$ 572,611	\$ 642,662
Mortgage payable to Royal Bank of Canada at 2.24%, repayable in monthly instalments of \$5,212, principal and interest, maturing on July 5, 2024. The mortgage is secured by property in Brandon (127 7th Street, Brandon, MB).	435,991	488,134
Mortgage payable at 3.75%, variable and open, repayable in monthly instalments of \$2,341, principal and interest, maturing on March 1, 2037. The loan is secured by property in Thunder Bay, Ontario and a general assignment of rents and leases.	192,792	204,629
Mortgage payable to CERS Investment bearing no interest, repayable over 15 years in annual instalments of \$23,333 on or before December 31 of each year, maturing on December 31, 2037. In the event of default payment, interest will be accrued at the rate of RBC prime plus 4%. The mortgage is secured by the property Dryden (34 King Street, Dryden, Ontario).	303,333	326,667
Mortgage payable to Assiniboine Credit Union at 7.45%, repayable in monthly instalments of \$3,015, principal and interest, maturing on October 1, 2040. The mortgage is secured by property in Winkler (324 Cargill Drive, Winkler, MB, R6W 0K4) and assignment of fire insurance policy over the property.	446,729	454,858
Mortgage payable to Royal Bank of Canada repaid during the year.	-	180,862
Toyota Credit Loan repaid during the year.	-	1,077
	1,951,456	2,298,889
Current portion of long-term debt	180,127	389,802
	\$ 1,771,329	\$ 1,909,087

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

6. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2024	\$ 180,127
2025	185,779
2026	191,625
2027	197,777
2028	204,176
Thereafter	<u>991,972</u>
	<u>\$ 1,951,456</u>

7. Deferred Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donated capital assets, or funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations.

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 2,684,528	\$ 2,530,514
Additional contributions received	69,803	395,341
Less amounts amortized to revenue	<u>(239,736)</u>	<u>(241,327)</u>
Balance, end of year	<u>\$ 2,514,595</u>	<u>\$ 2,684,528</u>

8. Lease Commitments

The Organization leases equipment, vehicles and building space. The minimum aggregate lease payments for the next two years are as follows:

2024	\$ 200,814
2025	120,376

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

9. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	<u>2023</u>	<u>2022</u>
Capital assets	\$ 7,953,805	\$ 7,079,607
Amounts financed by		
Deferred contributions	(2,514,595)	(2,684,528)
Long-term debt	(1,951,456)	(2,298,889)
	<u>\$ 3,487,754</u>	<u>\$ 2,096,190</u>

Change in net assets invested in capital assets is calculated as follows:

	<u>2023</u>	<u>2022</u>
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	\$ 239,736	\$ 241,327
Amortization of capital assets	(659,517)	(631,054)
Gain on sale of capital assets	30,381	46,416
	<u>\$ (389,400)</u>	<u>\$ (343,311)</u>

Net changes in investment in capital assets		
Purchase of capital assets	\$ 1,168,083	\$ 1,487,967
Gift in kind donation of property	360,000	-
Proceeds related to assets sold during year	(24,749)	(61,885)
Amounts funded by donations	(69,803)	(395,341)
Repayment (issuance) of loans and related party advances	347,433	(155,695)
	<u>\$ 1,780,964</u>	<u>\$ 875,046</u>

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

10. Financial Instrument Risk Management

The Organization, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organization's activities. The following analysis provides a measurement of those risks at December 31, 2023.

Credit Risk

Credit risk is the risk that the Organization will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the organization to significant concentrations of credit risk consist primarily of accounts receivable. The Organization is not exposed to significant credit risk as the accounts receivable is typically collected when it is due. Credit risk has not changed from prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to significant interest rate risk as cash and bank are held in short-term products. Interest rate on mortgages are both fixed and variable in nature. The Organization is exposed to interest rate risk through its variable interest rate mortgages. It seeks to minimize the risks from interest rate fluctuations through its normal operating and financing activities.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Liquidity risk has not changed from prior year.

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

11. Controlled Not-for-Profit Organization and Related Party Transactions

The Organization controls The Lighthouse Evangelistic Association Inc., (the "Lighthouse") by virtue of the fact that of the members of the Board of Directors are common to each the Organization and the Lighthouse. The Lighthouse is a Manitoba company registered with Canada Revenue Agency as a charitable organization, registration No. 889250460.

The Lighthouse receives no government funding and provides clothing, food and aid for the homeless.

The net assets, results of the operations and cash flows are not included in the financial statements of the Organization. Separate financial statements of the Lighthouse are available upon request. Financial summaries of the Lighthouse as at December 31, 2023 and December 31, 2022 and for the years then ended are as follows:

	2023	2022
<u>Statement of Financial Position</u>		
Total assets	\$ 1,233,459	\$ 1,158,207
Total liabilities	\$ 459,196	\$ 306,639
Total fund balances	774,263	851,568
Total liabilities and fund balances	\$ 1,233,459	\$ 1,158,207
	2023	2022
<u>Statement of Operations</u>		
Total revenue	\$ 842,095	\$ 757,964
Total expenses	919,400	768,839
Excess of revenue over expenses	\$ (77,305)	\$ (10,875)

TEEN CHALLENGE OF CENTRAL CANADA INC.
Notes to Non-consolidated Financial Statements
(Unaudited)

For the year ended December 31, 2023

11. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

	2023	2022
<u>Statement of Cash Flows</u>		
Cash generated by (used in) operating activities	\$ (164,516)	\$ 58,893
Cash used in investing and financing activities	98,471	(74,100)
	\$ (66,045)	\$ (15,207)
Net decrease in cash and bank for the year	\$ (66,045)	\$ (15,207)

The Lighthouse pays the Organization an administration fee annually to perform financial, managerial, promotional and other services on its behalf. The total administration fee for the year amounted to \$129,218 (\$97,399 in 2022). During the year, the Organization received \$162,163 (\$184,252 in 2022) from Lighthouse for assistance with food preparation, serving of meals and maintenance, and donated capital assets with a net book value of \$NIL (\$Nil in 2022) for total proceeds paid of \$NIL (\$Nil in 2022).

At the end of the year, the amount owing from Lighthouse was \$2,806 (\$104,464 in 2022), and is included in the accounts receivables.

Related party transactions arise in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value of the product purchased.

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Schedule of Expenditures
(Unaudited)

For the year ended December 31	2023	2022
Administration	\$ 14,555	\$ 25,341
Advertising	427,652	493,019
Amortization of capital assets	659,517	631,054
Bad debt (recovery)	(546)	34
Bank charges and interest	106,023	114,981
Fuel	177,762	190,048
Fundraising and special projects	639,498	601,802
Golf tournament	82,641	82,046
Groceries	118,133	96,079
Insurance	270,996	186,993
Interest on long-term debt	79,718	67,325
Thrift store and sales expense	268,612	338,670
Meetings	54,115	55,365
Miscellaneous	392,295	276,800
Mission	30,354	14,836
Postage/courier	9,368	22,384
Printing, stationery and office supplies	210,287	231,401
Professional fees	82,006	36,039
Property tax	147,041	137,586
Rental expense	355,323	278,727
Repairs and maintenance	512,744	457,917
Salaries, benefits and honorariums	6,676,559	5,328,065
Student cost/curriculum	385,087	332,723
Telephone	97,197	92,197
Travel	140,387	106,476
Utilities	339,133	287,684
	\$ 12,276,457	\$ 10,485,592

TEEN CHALLENGE OF CENTRAL CANADA INC.
Non-consolidated Vehicle Donation Program
(Unaudited)

For the year ended December 31	2023	2022
Sales		
Auction	\$ 393,105	\$ 317,380
Raffle	-	18,178
Recycler	704,826	669,244
Retail	474,009	392,330
	<u>1,571,940</u>	<u>1,397,132</u>
Cost of Goods Sold		
Donated vehicles disposed	<u>(1,801,103)</u>	<u>(1,699,109)</u>
Gross loss before other income	(229,163)	(301,977)
Other Income		
Gift in kind vehicles	<u>1,841,442</u>	<u>1,408,885</u>
Excess of revenue over expenditures for the year	\$ 1,612,279	\$ 1,106,908