

Northern Youth Programs
Incorporated
Financial Statements
For the year ended December 31, 2019

Northern Youth Programs Incorporated
Financial Statements
For the year ended December 31, 2019

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Tel: 807-223-5321
Fax: 807-223-2978
www.bdo.ca

BDO Canada LLP
37 King Street
Dryden ON P8N 1B4

Independent Auditor's Report

To the Board of Directors of
Northern Youth Programs Incorporated

Qualified Opinion

We have audited the accompanying financial statements of Northern Youth Programs Incorporated (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018, was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 auditors' 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 judgement 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Dryden, Ontario
March 18, 2020

Northern Youth Programs Incorporated

Statement of Financial Position

December 31	2019	2018
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Assets

Current

Cash and bank (Note 2)	\$ 1,185,767	\$ 697,691
Accounts receivable (Note 3)	133,137	153,587
Inventories	46,999	72,291
Prepaid expenses	53,680	52,567

	1,419,583	976,136
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Property, plant and equipment (Note 4)	1,858,592	1,309,111
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	\$ 3,278,175	\$ 2,285,247
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 82,046	\$ 89,843
Deferred revenue (Note 6)	332,411	114,018

	414,457	203,861
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Deferred capital contributions (Note 7)	1,430,834	882,266
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	1,845,291	1,086,127
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Net Assets

Unrestricted net assets	1,005,126	772,275
Net assets invested in property, plant and equipment	427,758	426,845

	1,432,884	1,199,120
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	\$ 3,278,175	\$ 2,285,247
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On behalf of the Board:

_____ Director

_____ Director

Northern Youth Programs Incorporated Statement of Changes in Net Assets

For the year ended December 31			2019	2018
	Investment in Property, Plant and Equipment	Unrestricted Net Assets	Total	Total
Balance, beginning of year	\$ 426,845	\$ 772,275	\$ 1,199,120	\$ 1,128,373
Excess of revenue over expenses	-	233,764	233,764	70,747
Amortization	(89,220)	89,220	-	-
Investment in property, plant and equipment	640,401	(640,401)	-	-
Disposals of property, plant and equipment	(1,700)	1,700	-	-
Increase in deferred capital contributions	(608,715)	608,715	-	-
Amortization of deferred capital contributions	60,147	(60,147)	-	-
Balance, end of year	\$ 427,758	\$ 1,005,126	\$ 1,432,884	\$ 1,199,120

Northern Youth Programs Incorporated

Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Donations - cash	\$ 1,958,857	\$ 1,517,326
- staff support	271,830	288,972
Contributed materials and services	298,297	322,213
Educational books and literature	53,127	55,392
Tuckshop	33,851	30,391
Tuition	157,179	153,362
Interest income	3,961	1,045
Teaching contract	21,800	101,600
Rent and board	10,800	3,200
Gain on disposal of property, plant and equipment	900	-
Amortization of deferred capital contributions	60,147	44,354
	<u>2,870,749</u>	<u>2,517,855</u>
Operating expenses		
Amortization	89,220	69,139
Automobile, truck and aircraft	448,662	396,982
Bank charges	6,089	6,832
Building repairs	117,531	115,897
Contributions	110,737	70,110
Equipment rental	1,252	977
Freight	991	504
Groceries	109,413	83,349
Insurance	73,312	80,414
Literature and information services	60,217	46,040
Printing, stationery and office supplies	199,576	238,175
Professional fees	14,198	29,839
Property tax and insurance	-	622
Purchases (Note 8)	3,107	17,339
Rent	309,304	331,976
Staff development	50,750	31,209
Supplies	65,133	58,610
Utilities	84,351	87,173
Wages and benefits	893,142	781,921
	<u>2,636,985</u>	<u>2,447,108</u>
Excess of revenue over expenses for the year	\$ 233,764	\$ 70,747

Northern Youth Programs Incorporated Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 233,764	\$ 70,747
Items not involving cash		
Amortization of property, plant and equipment	89,220	69,139
Amortization of deferred capital contributions	(60,147)	(44,354)
Gain on disposal of property, plant and equipment	(900)	-
	<u>261,937</u>	<u>95,532</u>
Changes in non-cash working capital balances		
Accounts receivable	20,450	(44,154)
Inventories	25,292	(626)
Prepaid expenses	(1,112)	367
Accounts payable and accrued liabilities	(7,797)	45,900
Deferred revenue	<u>218,393</u>	<u>(8,910)</u>
	<u>255,226</u>	<u>(7,423)</u>
	<u>517,163</u>	<u>88,109</u>
Investing activities		
Purchase of property, plant and equipment	(422,933)	(51,486)
Proceeds on sale of property, plant and equipment	2,600	-
Deferred capital contributions proceeds	<u>391,246</u>	<u>47,322</u>
	<u>(29,087)</u>	<u>(4,164)</u>
Increase in cash during the year	488,076	83,945
Cash and bank, beginning of year	<u>697,691</u>	<u>613,746</u>
Cash and bank, end of year	<u>\$ 1,185,767</u>	<u>\$ 697,691</u>

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization

The Organization is a not-for-profit organization, incorporated without share capital under the laws of Ontario. It is engaged in the operation of programs to provide counselling, family teaching and fellowship for Aboriginal people and churches in North America.

It is registered with the Canada Revenue Agency as a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Northern Youth Programs Foundation and Northern Youth Programs of Minnesota Inc. are separate entities whose financial information is reported separately from the Organization.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue when 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.

All other revenue is recorded on an accrual basis as earned.

Restricted contributions for the purchase of property, plant and equipment that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Contributed Goods and Services

Contributed goods 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis. Inventories are written down to net realizable value when the cost is not estimated to be recoverable. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed.

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost less accumulated amortization. Contributed property, plant and equipment are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed property, plant and equipment are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the property, plant and equipment are capitalized.

Construction in progress is not amortized until the property, plant and equipment is substantially complete and ready for use.

Amortization is calculated on a straight-line basis with the half year rule applied in the year of acquisition based on the estimated useful life of the asset. Amortization on aircraft is calculated on a straight line basis less an estimated salvage value with the half year rule applied in the year of acquisition based on the estimated useful life of the asset. Estimated useful lives are as follows:

Aircraft	15 years
Automotive equipment	10 years
Boats	15 years
Furniture and equipment	10 years

When property, plant and equipment no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the property, plant and equipment is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When property, plant and equipment is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the property, plant and equipment disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. At the year end date, foreign currency denominated monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All 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.

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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include the estimated useful lives of plant and equipment, market value of contributed equipment and accruals.

Northern Youth Programs Incorporated Notes to Financial Statements

December 31, 2019

2. Cash and Bank

Bank accounts:	2019	2018
Vehicles	\$ 34,476	\$ 20,511
Remodels	58,475	45,193
Hangar	212,656	16,380
Aircraft overhauls	176,883	106,581
Miscellaneous projects	75,176	86,672
Operating capital	628,101	422,354
	<u>\$ 1,185,767</u>	<u>\$ 697,691</u>

3. Accounts Receivable

	2019	2018
Trade and member receivables	\$ 72,044	\$ 121,545
Government remittances receivable	61,093	32,042
	<u>\$ 133,137</u>	<u>\$ 153,587</u>

4. Property, Plant and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Aircraft	\$ 1,437,226	\$ 179,954	\$ 1,320,352	\$ 106,035
Automotive equipment	161,266	22,494	75,609	11,500
Boats	3,100	1,017	3,100	850
Furniture and equipment	60,901	7,734	17,506	3,893
Construction-in-progress	407,298	-	14,822	-
	<u>\$ 2,069,791</u>	<u>\$ 211,199</u>	<u>\$ 1,431,389</u>	<u>\$ 122,278</u>
Net book value		<u>\$ 1,858,592</u>		<u>\$ 1,309,111</u>

During the year property, plant and equipment was acquired at an aggregate value of \$640,401, of which \$422,933 was purchased and \$217,468 was donated from other organizations.

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

5. Accounts Payable and Accrued Liabilities

	2019	2018
Trade accounts payable	\$ 28,510	\$ 65,476
Accrued liabilities	9,500	9,500
Vacation payable	44,036	14,867
	<u>\$ 82,046</u>	<u>\$ 89,843</u>

6. Deferred Revenue

Deferred revenue relates to donations received for specific purposes that are restricted by persons/organizations not related to the Organization. Changes in the deferred revenue balance are as follows:

	2019	2018
Balance, beginning of year	\$ 114,018	\$ 122,928
Less amounts recognized during the year	(460,985)	(32,294)
Amounts received during the year	679,378	23,384
Balance, end of year	<u>\$ 332,411</u>	<u>\$ 114,018</u>

Northern Youth Programs Incorporated Notes to Financial Statements

December 31, 2019

7. Deferred Capital Contributions

Deferred capital contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions used to purchase property, plant and equipment.

	2019	2018
Aircraft	\$ 901,514	\$ 836,569
Vehicles	81,556	30,875
Equipment	40,466	-
Construction-in-progress	407,298	14,822
	<u>\$ 1,430,834</u>	<u>\$ 882,266</u>

The changes in the deferred capital contributions balance for the period are as follows:

	2019	2018
Beginning balance	\$ 882,266	\$ 879,298
Add: restricted contributions related to contributed equipment	217,469	4,663
Add: restricted contributions related to capital asset purchases	391,246	42,659
Less: amounts amortized to revenue	(60,147)	(44,354)
Ending balance	<u>\$ 1,430,834</u>	<u>\$ 882,266</u>

8. Purchases

	2019	2018
Inventory, beginning of year	\$ 72,291	\$ 71,665
Purchases	13,229	17,965
Inventory donated to other organizations	(35,414)	-
	50,106	89,630
Inventory, end of year	(46,999)	(72,291)
	<u>\$ 3,107</u>	<u>\$ 17,339</u>

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

9. Commitments

The Organization has entered into an operating lease for some equipment. The equipment is leased at \$6,880 quarterly under a lease expiring in 2023.

The minimum annual lease payments for the next five years are due as follows:

2020	\$	27,520
2021		27,520
2022		27,520
2023		11,463

10. Northern Youth Programs Foundation and Northern Youth Programs of Minnesota Inc.

Northern Youth Programs Foundation (NYPF) is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. Northern Youth Programs of Minnesota Inc. (NYPMN) is an independent charitable organization in the United States which has its own independent Board of Directors. Both NYPF and NYPMN receive and maintain funds for charitable purposes, which it donates to the Organization for the use of operations, renovations, maintenance and equipment of the Organization.

At December 31, 2019, the Organization has a receivable from NYPF of \$nil (2018 - \$nil) and from NYPMN of \$68,377 (2018 - \$30,771). Total funds received and recognized as revenue for 2019 from NYPF amount to \$9,890 (2018 - \$1,524) and from NYPMN amount to \$1,428,161 (2018 - \$1,315,147).

11. Contingent Liability

The Organization has an irrevocable letter of credit of \$6,000 with the Royal Bank of Canada, listing the Ministry of Environment & Energy as the beneficiary. The irrevocable letter of credit was issued in 1997 and is automatically renewed annually. The Organization burns used oil in waste oil furnaces as a heating source. Upon the discontinuation of the waste oil furnaces, the letter of credit is to cover the cost to pump out the furnaces and clean up.

The Organization has been named as defendant in certain legal actions resulting from allegations of employee misconduct when the Organization operated a residential school. At this time, the value of this claim is not determinable

Northern Youth Programs Incorporated Notes to Financial Statements

December 31, 2019

12. Financial Instrument Risk

The overall objective of the Organization is to set policies that seek to reduce risk from its financial instruments as far as possible without unduly affecting the Organization's flexibility. This note presents information about the Organization's exposure to these risks. The significant financial risks to which the Organization is exposed are currency, credit and liquidity risks. It is management's opinion that the Organization is not exposed to significant market risk or interest rate risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Consequently, some assets are exposed to foreign exchange fluctuations. As at year end:

	Operating	Internally Restricted	Total
Cash and bank - \$USD	\$ 496,084	\$ 23,668	\$ 519,752
Cash and bank - \$CAD	384,529	281,486	666,015
	<u>\$ 880,613</u>	<u>\$ 305,154</u>	<u>\$ 1,185,767</u>
Receivable NYPMN - \$USD	\$ 60,332	\$ 8,045	\$ 68,377

The balances shown in US dollars have been converted into Canadian dollars. The Organization considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks. There have not been any changes in the risk from the prior year.

Northern Youth Programs Incorporated

Notes to Financial Statements

December 31, 2019

12. Financial Instrument Risk (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable from companies that operate in the same industry. The Organization provides credit to its clients in the normal course of its operations.

The Organization mitigates credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer.

The Organization is also exposed to credit risk arising from having bank account balances over the amounts insured by the Canadian Deposit Insurance Corporation.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities. Management believes they are not exposed to significant liquidity risk.