Northern Youth Programs Incorporated

Financial Statements

For the year ended December 31, 2022

Northern Youth Programs Incorporated
Financial Statements
For the year ended December 31, 2022

Contents

Tel: 807 223 5321
Fax: 807 223 2978
0051
www.bdo.ca

BDO Canada LLP
37 King Street
Dryden ON P8N 1B4 Canada

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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021, 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.

BDO

Independent Auditor's Report (cont'd)

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
June 22, 2023

Northern Youth Programs Incorporated
Statement of Financial Position

December 31	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 2)	**$ 1,893,276**	$ 1,891,609
Short-term investments (Note 3)	**194,565**	164,678
Accounts receivable (Note 5)	**122,679**	44,483
Inventories	**22,144**	22,144
Prepaid expenses	**72,837**	64,148
	2,305,501	2,187,062
Long-term investments (Note 4)	**50,000**	60,000
Property, plant and equipment (Note 6)	**2,343,533**	2,461,776
	$ 4,699,034	$ 4,708,838
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 56,863**	$ 30,593
Customer deposits	**52,873**	-
Deferred revenue (Note 8)	**156,492**	156,348
Current portion of retirement benefits (Note 10)	**59,000**	-
	325,228	186,941
Deferred capital contributions (Note 9)	**1,879,903**	2,002,780
Retirement benefits (Note 10)	**145,000**	96,000
	2,350,131	2,285,721
Net Assets		
Unrestricted net assets	**1,885,272**	1,964,121
Net assets invested in property, plant and equipment	**463,631**	458,996
	2,348,903	2,423,117
	$ 4,699,034	$ 4,708,838

On behalf of the Board:

_______________________________ Director

_______________________________ Director

The accompanying notes are an integral part of these financial statements.

Northern Youth Programs Incorporated
Statement of Changes in Net Assets

For the year ended December 31			2022	2021
	Investment in Property, Plant and Equipment	Unrestricted Net Assets	Total	Total
Balance, beginning of year	$ 458,996	$ 1,964,121	$ 2,423,117	$ 2,166,526
Excess (deficiency) of revenue over expenses	-	(74,214)	(74,214)	256,591
Amortization	(168,549)	168,549	-	-
Investment in property, plant and equipment	53,128	(53,128)	-	-
Disposals of property, plant and equipment	(2,821)	2,821	-	-
Increase in deferred capital contributions	-	-	-	-
Amortization of deferred capital contributions	122,877	(122,877)	-	-
Balance, end of year	$ 463,631	$ 1,885,272	$ 2,348,903	$ 2,423,117

The accompanying notes are an integral part of these financial statements.

Northern Youth Programs Incorporated
Statement of Operations

For the year ended December 31	2022	2021
Revenue		
Donations - unrestricted	$ 1,442,734	$ 1,536,136
- program	641,633	506,967
Contributed materials, property, and services (Note 11)	219,150	219,000
Tuckshop	23,865	1,120
Tuition and counselling	73,103	59,958
Interest and investment income	7,932	4,759
Teaching contract	-	1,049
Rent and board	133,295	75,884
Miscellaneous income	68,209	31,479
Amortization of deferred capital contributions	122,877	120,618
	2,732,798	2,556,970
Operating Expenses		
Amortization	168,549	162,558
Automobile, truck and aircraft	229,232	198,640
Bad debts	250	-
Bank charges	7,237	6,305
Building repairs	297,113	120,063
Contributions	65,514	60,412
Equipment rental	1,276	-
Freight	6,685	1,173
Groceries	50,624	28,670
Insurance	132,500	94,703
Literature and information services	61,222	63,917
Printing, stationery and office supplies	247,072	244,202
Professional fees	24,923	34,713
Property lease	240,000	240,000
Purchases	6,186	783
Rent	14,724	13,762
Retirement benefits (Note 9)	108,000	128,000
Staff development	71,907	28,636
Supplies	67,206	69,812
Utilities	105,982	90,979
Wages and benefits	885,658	812,430
	2,791,860	2,399,758
Excess (deficiency) of revenues before the undernoted	(59,062)	157,212
COVID-19 wage subsidies	-	96,812
Unrealized gain (loss) on investments	(17,530)	2,217
Gain on disposal of property, plant and equipment	2,378	350
Excess (deficiency) of revenue over expenses for the year	$ (74,214)	$ 256,591

The accompanying notes are an integral part of these financial statements.

Northern Youth Programs Incorporated
Statement of Cash Flows

For the year ended December 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	$ (74,214)	$ 256,591
Items not involving cash		
Amortization of property, plant and equipment	168,549	162,558
Amortization of deferred capital contributions	(122,877)	(120,618)
Gain on disposal of property, plant and equipment	(2,378)	(350)
Unrealized gain (loss) on investments	17,530	(2,217)
	(13,390)	295,964
Changes in non-cash working capital balances		
Accounts receivable	(78,196)	35,355
Inventories	-	783
Prepaid expenses	(8,689)	(9,189)
Accounts payable and accrued liabilities	26,270	(59,559)
Customer deposits	52,873	-
Deferred revenue	144	24,135
Retirement benefits	108,000	96,000
	87,012	383,489
Investing activities		
Purchase of property, plant and equipment	(53,128)	(34,982)
Proceeds on sale of property, plant and equipment	5,200	10,600
Deferred capital contributions proceeds	-	25,913
Purchase of short-term investments	(37,417)	(222,461)
	(85,345)	(220,930)
Increase in cash and cash equivalents during the year	1,667	162,559
Cash and cash equivalents, beginning of year	1,891,609	1,729,050
Cash and cash equivalents, end of year	$ 1,893,276	$ 1,891,609
Represented by		
Cash	1,705,123	1,703,589
Restricted cash	157,202	158,959
Money market funds	30,951	29,061
	$ 1,893,276	$ 1,891,609

The accompanying notes are an integral part of these financial statements.

December 31, 2022

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and investments in money market funds.

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.

1. Significant Accounting Policies (continued)

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.

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
Buildings	25 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.

1. **Significant Accounting Policies** (continued)

Property, Plant and Equipment (Continued)

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.

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. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains or losses reported in income. 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.

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, the fair market value of leased property and accruals.

2. Cash and Cash Equivalents

Bank accounts and cash equivalents:	2022	2021
Vehicles	**$ 52,516**	$ 52,516
Remodels	**104,565**	104,565
Capital Investments	**285,445**	285,445
Aircraft overhauls	**264,833**	264,833
Miscellaneous projects	**396,952**	396,952
Operating capital	**788,965**	787,298
	$ 1,893,276	$ 1,891,609

3. Short-term Investments

	2022	2021
Guaranteed investment certificates	**$ 21,737**	$ 10,000
Corporate bonds	**40,287**	40,287
Mutual funds	**150,403**	112,174
Accumulated market value adjustments	**(17,862)**	2,217
	$ 194,565	$ 164,678

The corporate bonds listed above mature between January 2027 and July 2030, and bear interest at rates ranging from 1.82% to 3.0%.

The guaranteed investment certificates listed above mature in June 2023, and bear interest at rates ranging from 1.12% to 3.87%.

4. Long-term Investments

	2022	2021
Guaranteed investment certificate, 2.25%, maturing July 2026	**$ 50,000**	$ 60,000

December 31, 2022

5. Accounts Receivable

	2022	2021
Trade and member receivables	$ **87,661**	$ 18,279
Government remittances receivable	**35,018**	26,204
	$ **122,679**	$ 44,483

6. Property, Plant and Equipment

	2022 Cost	2022 Accumulated Amortization	2021 Cost	2021 Accumulated Amortization
Aircraft	$ **1,625,036**	$ **441,562**	$ 1,625,036	$ 354,359
Automotive equipment	**240,998**	**88,390**	243,364	66,042
Boats	**6,000**	**1,619**	3,100	1,350
Buildings	**927,287**	**83,456**	927,287	46,364
Furniture and equipment	**204,163**	**44,924**	157,839	26,735
	$ **3,003,484**	$ **659,951**	$ 2,956,626	$ 494,850
Net book value		$ **2,343,533**		$ 2,461,776

7. Accounts Payable and Accrued Liabilities

	2022	2021
Trade accounts payable	$ **44,138**	$ 15,818
Accrued liabilities	**9,500**	9,500
Vacation payable	**3,225**	5,275
	$ **56,863**	$ 30,593

8. 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:

	2022	2021
Balance, beginning of year	$ 156,348	$ 132,213
Less amounts recognized during the year	(261,416)	(459,568)
Amounts received during the year	261,560	483,703
Balance, end of year	$ 156,492	$ 156,348

9. 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.

	2022	2021
Aircraft	$ 893,687	$ 958,899
Vehicles	72,271	83,531
Equipment	70,113	79,427
Buildings	843,832	880,923
	$ 1,879,903	$ 2,002,780

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

	2022	2021
Beginning balance	$ 2,002,780	$ 2,097,485
Add: restricted contributions related to capital asset purchases	-	25,913
Less: amounts amortized to revenue	(122,877)	(120,618)
Ending balance	$ 1,879,903	$ 2,002,780

10. Retirement Benefits

During the year the Organization approved a retirement benefit to a certain employee in the amount of $108,000 (2021 - $128,000). This retirement benefit is expected to be paid in four equal installments. The change in the retirement benefits liability is as follows:

	2022	2021
Beginning Balance	**$ 96,000**	$ -
Additions	**108,000**	128,000
Repayments	**-**	(32,000)
	204,000	96,000
Current Portion	**59,000**	-
	$ 145,000	$ 96,000

The remaining balance is expected to be paid as follows:

Year	**Amount**
2023	59,000
2024	59,000
2025	59,000
2026	27,000
	$ 204,000

December 31, 2022

11. Commitments

The Organization has multiple operating leases for its premises at $1,750 per month, under leases expiring in 2024.

The Organization has entered into an operating lease for some equipment. The equipment is leased at $7,151 quarterly under a lease expiring in 2023.

The minimum annual lease payments for the next two years under these commitments are due as follows:

2023	$ 32,918
2024	21,000
	$ 53,918

12. 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. NYPF provides contributed service in the form of a below market lease, charging the Organization $21,000 per year. The Organization has estimated the fair market value of the lease would be $240,000 per year and therefore, the Organization has recorded contributed services of $219,000 (2021 - $219,000).

Total funds received and recognized as revenue for 2022 from NYPF amounting to Nil (2021 - $nil) and from NYPMN amount to $1,123,176 (2021 - $1,453,368).

13. 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.

December 31, 2022

14. Credit Facility

The Organization has a maximum available business visa facility of $186,000 with Royal Bank of Canada. As at December 31, 2022, the unused portion of the facility is $151,116 (2021 - $183,902).

15. 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, market and liquidity risks.

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. Below is a summary of cash and cash equivalents as at year-end:

	Operating	Externally Restricted	Total
Cash and cash equivalents - $USD	$ 1,059,208	$ 65,771	$ 1,124,979
Cash and cash equivalents - $CAD	676,866	91,431	768,297
	$ 1,736,074	$ 157,202	$ 1,893,276

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.

15. 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 to its bond holdings and guaranteed investment certificates, as well as 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 and no overall change from the prior year.

Market Risk

Concentrations of market risk exist when a significant portion of the temporary investment portfolio is invested in securities with similar characteristics and/or similar economic, political or other conditions that may prevail. The Organization is exposed to market risk through its mutual fund investments, however, management is of the opinion that the mutual fund investment mix spreads the market risk over different market sectors.

16. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.