Financial statements of

Teen Challenge Canada Inc.

December 31, 2024

To the To the Board of Directors of Teen Challenge Canada Inc.:

Qualified Opinion

We have audited the financial statements of Teen Challenge Canada Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, 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, except for the 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, 2024, and its financial performance 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 charitable organizations, the Organization derives revenue from donations and fundraising activities, 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 these revenues, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2024 and December 31, 2023, current assets as at December 31, 2024 and December 31, 2023, net assets as at January 1, 2023 and 2024, and net assets as at December 31, 2024. Our audit opinion on the financial statements for the year ended December 31, 2024 was modified accordingly, because of the possible effects of this scope limitation.

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 Organization in accordance with the ethical requirements that are those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

MNP LLP
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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 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 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 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.

MNP LLP

London, Ontario — Chartered Professional Accountants

June 27, 2025 — Licensed Public Accountants

Teen Challenge Canada Inc.
Statement of operations
year ended December 31, 2024

	Notes	2024 $	2023 $
Revenues			
Donations and fundraising		**14,804,357**	14,138,735
Contract work and services		**21,916**	38,843
Entrance fees		**216,690**	200,315
Other		**25,257**	43,508
		15,068,220	14,421,401
Expenses			
Personnel costs		**9,039,299**	8,372,771
Program costs			
Facilities and equipment		**1,748,982**	1,728,407
Other program costs		**1,345,911**	1,413,129
Fundraising costs		**1,294,504**	1,311,453
Administration, financial and interest		**772,339**	673,961
		14,201,035	13,499,721
Excess of revenues over expenses before the undernoted		**867,185**	921,680
Gain on sale of capital assets		**(24,816)**	(36,566)
Amortization		**1,280,328**	1,270,420
Excess of revenues over expenses		**(388,327)**	(312,174)

The accompanying notes are an integral part of this financial statement.

Teen Challenge Canada Inc.

Statement of change in net assets

year ended December 31, 2024

	Note	Investment in capital assets $	Endowment fund $	Accumulated surplus $	Total $
Balance, December 31, 2023		**6,343,499**	**546,846**	**21,395**	**6,911,740**
Excess (deficiency) of revenues over expenses		**315,316**	**55,501**	**(759,144)**	**(388,327)**
Decrease of debt principal, net		**(237,198)**	**—**	**237,198**	**—**
Additions to deferred capital contributions		**(2,625,000)**	**—**	**2,625,000**	**—**
Additions to capital assets, net of disposals		**2,888,847**	**—**	**(2,888,847)**	**—**
(Disposals) additions to designated cash		**(184,581)**	**—**	**184,581**	**—**
Transfer between funds	5	**—**	**(55,501)**	**55,501**	**—**
Balance, December 31, 2024		**6,500,883**	**546,846**	**(524,316)**	**6,523,413**

	Investment in capital assets $	Endowment Fund $	Accumulated surplus $	Total $
Balance, December 31, 2022	6,509,649	546,846	167,419	7,223,914
Excess (deficiency) of revenues over expenses	554,285	47,054	(913,513)	(312,174)
Decrease of debt principal, net	(242,375)	—	242,375	—
Additions to deferred capital contributions	(2,037,000)	—	2,037,000	—
Additions to capital assets, net of disposals	1,244,957	—	(1,244,957)	—
Additions to designated cash	313,983	—	(313,983)	—
Transfer between funds	—	(47,054)	47,054	—
Balance, December 31, 2023	6,343,499	546,846	21,395	6,911,740

The accompanying notes are an integral part of this financial statement.

Teen Challenge Canada Inc.

Statement of financial position

as at December 31, 2024

	Notes	2024 $	2023 $
Assets			
Current assets			
Cash and cash equivalents	4	916,214	1,141,912
Accounts receivable - trade and other receivables		832,985	947,318
Government remittance receivable		333,678	147,784
Prepaid expenses		127,188	70,134
Inventory		75,427	39,226
		2,285,492	2,346,374
Marketable securities	5	489,447	511,419
Capital assets	6	23,907,260	22,273,928
		26,682,199	25,131,721
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,552,016	904,581
Current portion of long-term debt	8	2,697,128	2,509,496
		4,249,144	3,414,077
Deferred capital contributions	7	13,537,314	12,483,142
Long-term debt	8	2,372,328	2,322,762
		20,158,786	18,219,981
Commitments	10		
Net assets			
Investment in capital assets		6,500,883	6,343,499
Endowment fund	5	546,846	546,846
Accumulated (deficit) surplus		(524,316)	21,395
		6,523,413	6,911,740
		26,682,199	25,131,721

The accompanying notes are an integral part of this financial statement.

Approved by the Board

Director

Director

	Notes	2024 $	2023 $
Operating activities			
Excess of revenues over expenses		**(388,327)**	(312,174)
Items not affecting cash			
Amortization of capital assets		**1,280,328**	1,270,420
Gain on sale of capital assets		**(24,816)**	(36,566)
Amortization of deferred capital contributions		**(1,570,828)**	(1,788,139)
Changes in non-cash working capital components	9	**482,622**	(440,650)
		(221,021)	(1,307,109)
Investing activities			
Purchase of capital assets		**(2,972,956)**	(1,329,737)
Additions to deferred contributions		**2,625,000**	2,037,000
Proceeds on sale of capital assets		**84,109**	84,780
		(263,847)	792,043
Financing activity			
Change in marketable securities		**21,972**	(2,985)
Increase of debt principal, net		**237,198**	242,375
		259,170	239,390
Net change in cash and cash equivalents		**(225,698)**	(275,676)
Cash and cash equivalents, beginning of year		**1,141,912**	1,417,588
Cash and cash equivalents, end of year		**916,214**	1,141,912

The accompanying notes are an integral part of this financial statement.

1. Description of the organization

Teen Challenge Canada Inc. (the "Organization") is incorporated as a not-for-profit organization and is a registered charity under the Income Tax Act that is exempt from paying corporate income tax, registration No. B/N 10806-6663-RR-0001. The Organization received no operational government Funding during the year. The Organization provides residential rehabilitation to men and women with drug and alcohol related problems including spiritual, vocational and academic training. The head office is located in London, Ontario with offices in Saskatoon, Saskatchewan, Calgary, Alberta and residential facilities in Priddis, Alberta, Allan, Saskatchewan, Hague, Saskatchewan, London, Ontario, King City, Ontario, Renfrew, Ontario, Memramcook, New Brunswick, and St. John's, Newfoundland, along with an Addiction Recovery Office in Sudbury, Ontario. The former facility in Sault Ste. Marie, Ontario has been closed, pending development of a new residential facility in Sudbury, Ontario.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Donations and fundraising funds are recorded when the cash is received. No amounts have been recognized for pledged donations.

Contract work and retail sales revenues are recognized as revenue when the services are performed.

Entrance fees are non-refundable and recognized as revenue in the year in which they are received

Donations in kind

Certain individuals and organizations contribute to the Organization by donating services or products rather than cash. Donations of $3,071,818 (2023 - $2,919,525) were received during the current year and are recorded in the financial statements at fair market value as donations in kind and include capital assets, inventory for resale, food, material, and donated vehicles.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for marketable securities, which are designated to be measured at fair value. Changes in fair value are recognized in the changes in net assets.

Financial assets measured at amortized cost include cash, government remittance receivable, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

2. Significant accounting policies (continued)

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

Inventory

Inventory held for resale through the vehicle donation program is valued at the lower of cost and net realizable value. Cost is determined on the specified unit basis.

Impairment of long-lived assets

When a capital asset 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.

Capital assets

Capital assets are recorded at cost except for donations of vehicles, equipment, land, and buildings which are donated to the Organization at no cost and are recorded at fair market value at the time of the donation as determined by qualified appraisers. Amortization is based on their estimated useful life using the following methods and rates:

Buildings	Diminishing balance	5%
Property improvements	Diminishing balance	20%
Equipment		
Shop equipment	Diminishing balance	10%
Equipment	Diminishing balance	20%
Computer equipment	Diminishing balance	20%
Vehicles	Diminishing balance	30%

2. Significant accounting policies (continued)

Deferred capital contributions

Deferred capital contributions are deferred and amortized over the life of the related capital asset.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standard 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 assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates have been made in determining the estimated useful life of capital assets, the net realizable value of unsold vehicles to determine inventory write-offs, and accrued liabilities. Actual results could differ from these estimates.

Accounting for cloud computing arrangement

The Organization has applied the simplification approach to account for expenditures in a cloud computing arrangement. Under the simplification approach, the Organization recognizes expenditures related to the elements in the cloud computing arrangement as an expense as incurred. In the current year, the Organization incurred cloud computing arrangement expenses of $46,088 (2023 - $30,694).

3. Change in accounting policies

Customer’s accounting for cloud computing arrangements

Effective April 1, 2024, the Organization adopted the Accounting Standard for Private Esterprises’ (ASPE) new guideline AcG-20 *Customer’s Accounting for Cloud Computing arragements*. Applying the new guideline results in the recognition measurement, and disclosure of cloud computing arrangements, including the allocation of the arrangement consideration to significant seperable elements of cloud computing arragements.

There was no material impact of the financial statements from the application of the new accounting guideline.

4. Cash and cash equivalents

Included in Cash and cash equivalents at year-end is $1,200,392 (2023 – $1,329,421) in cash designated by donors for specific projects or uses not yet completed at year-end.

Included in designated cash is restricted cash relating to the endowment fund of $57,399 (2023 - $35,427).

5. Marketable Securities

The Organization has invested its endowment fund in a portfolio of marketable securities. Marketable securites are recorded at fair value.

6. Capital assets

	Cost	**Accumulated amortization**	**2024 Net book value**	2023 Net book value
	$	**$**	**$**	$
Land	**3,420,588**	**—**	**3,420,588**	3,420,589
Buildings	**25,746,783**	**8,893,410**	**16,853,373**	16,426,885
Property improvements	**199,985**	**165,755**	**34,231**	42,788
Equipment	**2,409,963**	**2,218,826**	**191,137**	230,812
Computer equipment	**1,999,063**	**1,535,959**	**463,104**	255,934
Vehicles	**2,163,242**	**1,551,537**	**611,705**	673,656
Construction in progress	**2,333,122**	**—**	**2,333,122**	1,223,264
	38,272,746	**14,365,486**	**23,907,260**	22,273,928

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. These amounts are not subject to repayment and are recorded only to achieve a matching of revenues with the future associated depreciation of the capital assets. The amortization of deferred capital contributions is recorded within the donations and fundraising amount on the Statement of Operations.

	2024	2023
	$	$
Balance, beginning of year	**12,483,142**	12,234,281
Contributions received for capital purposes	**2,625,000**	2,037,000
Amortization of deferred capital contributions	**(1,570,828)**	(1,788,139)
	13,537,314	12,483,142

In 2015, the Organization launched a Campaign to raise funds for construction of new centres and expansions to current centres. 98% (2023 – 91%) of the balance of deferred capital contributions is related to this capital campaign.

8. Long-term debt

	2024	2023
	$	$
Loans and mortgages payable, bearing interest from 0.0% to 10.69%, collateralized by various land, buildings, certain equipment and vehicles, with a net book value of $11,532,714 (2023 - $12,139,699) due at various dates up to December 30, 2029	**4,353,961**	4,169,118
Loan payable, monthly payments of $3,671, due December 1, 2026, bearing interest at 3.95% covered by a general security agreement	**84,797**	124,648
Mortgage payable, monthly payments of $681, due February 1, 2026, bearing interest at 1.90%, collateralized by the property in Allan, Saskatchewan with a net book value of $613,743 (2023 - $646,045)	**9,698**	17,492
Loans payable, unsecured, due on demand with a range of no fixed maturity date to January 31, 2027, bearing interest from 0.0% to 7.0%	**621,000**	521,000
Total debt	**5,069,456**	4,832,258
Current portion	**2,697,128**	2,509,496
	2,372,328	2,322,762

The total interest paid on the long-term debt totalled $249,695 (2023 - $235,481).

Principal payments required in each of the next five years and thereafter are as follows:

	$
2025	2,697,128
2026	605,453
2027	1,059,572
2028	366,008
2029	246,885
Thereafter	94,410
	5,069,456

9. Changes in non-cash working capital components

	2024	2023
	$	$
Decrease (increase) in accounts receivable	**114,333**	(189,265)
(Increase) decrease in prepaid expenses	**(57,055)**	5,444
Increase in inventory	**(36,201)**	(5,836)
Increase (decrease) in accounts payable and accrued liabilities	**647,439**	(188,160)
Increase in government remittances receivable	**(185,894)**	(62,833)
	482,622	(440,650)

10. Commitments

The Organization leases office equipment under various operating leases that expire in 2025 to 2029. Future lease payments aggregate $1,308,814 and include the following amounts payable over the next five years:

	$
2025	537,669
2026	463,204
2027	135,058
2028	93,718
2029	79,165
	1,308,814

11. Financial instruments

Interest rate risk

The long-term debt generally bears interest at fixed rates. Consequently, the cash flow exposure is not significant.

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2024, the most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

12. Pledges

The Organization has been named as a beneficiary of certain life insurance. The residual value of the life insurance will be recorded in the financial statements when the proceeds are received by the Organization. The amount is not reflected in the accompanying financial statements.

13. Financial information return for purposes of the Charitable Fundraising Act

Financial information return for purposes of the charitable fundraising act

Under Section 7(2) of the Alberta *Charitable Fund-raising Act* , the following amounts are disclosed in addition to those disclosures reflected elsewhere in the financial statements. The following amounts are disclosed in respect of the Organization's operations in Alberta.

	2024	2023
	$	$
Gross contributions received, exclusive of government contributions	**2,249,489**	1,780,166
Total direct expenses incurred for soliciting contributions	**160,308**	204,677
Remuneration to employees whose principal duties involved fundraising	**216,050**	194,628

14. Subsequent event

Subsequent to year-end, the Organization closed and sold the Northern Ontario Men’s Centre located in Sault Ste. Marie, Ontario. The property was sold in January 2025 for $800,000. The Organization plans to relocate the centre to Sudbury, Ontario.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. These changes do not affect prior year earnings.