
Financial statements of Teen Challenge Canada Inc.

December 31, 2025

Teen Challenge Canada Inc.

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December 31, 2025

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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, 2025, 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, 2025, 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, 2025 and December 31, 2024, current assets as at December 31, 2025 and December 31, 2024, net assets as at January 1, 2024 and 2025, and net assets as at December 31, 2025. Our audit opinion on the financial statements for the year ended December 31, 2025 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.

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.

London, Ontario

June 26, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Teen Challenge Canada Inc.**Statement of operations**

year ended December 31, 2025

	Notes	2025 \$	2024 \$
Revenues			
Donations and fundraising		15,881,547	14,804,357
Contract work and services		11,251	21,916
Entrance fees		198,010	216,690
Other		8,802	25,257
		16,099,610	15,068,220
Expenses			
Personnel costs		9,613,795	9,039,299
Program costs			
Facilities and equipment		1,895,555	1,748,982
Other program costs		1,419,199	1,345,911
Fundraising costs		1,281,039	1,294,504
Administration, financial and interest		892,068	772,339
		15,101,656	14,201,035
Excess of revenues over expenses before the undernoted		997,954	867,185
Less (plus):			
Insurance proceeds		(384,820)	—
Gain on sale of capital assets		(711,431)	(24,816)
Amortization		1,569,323	1,280,328
Excess (deficiency) of revenues over expenses		524,882	(388,327)

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, 2025

	Investment in capital assets	Endowment fund	Accumulated surplus	Total
	\$	\$	\$	\$
Balance, December 31, 2024	6,500,883	546,846	(524,316)	6,523,413
Excess (deficiency) of revenues over expenses	337,627	111,048	76,207	524,882
Decrease of debt principal, net	(1,833,352)	—	1,833,352	—
Additions to deferred capital contributions	(621,770)	—	621,770	—
Additions to capital assets, net of disposals	3,216,221	—	(3,216,221)	—
(Disposals) additions to designated cash	(577,197)	—	577,197	—
Transfer between funds	—	(111,048)	111,048	—
Balance, December 31, 2025	7,022,412	546,846	(520,963)	7,048,295

Notes

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	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)	—
Additions to designated cash	(184,581)	—	184,581	—
Transfer between funds	—	(55,501)	55,501	—
Balance, December 31, 2024	6,500,883	546,846	(524,316)	6,523,413

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

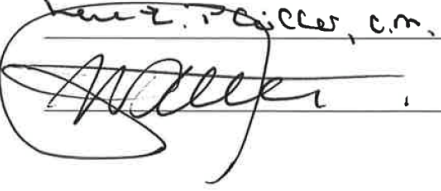
Teen Challenge Canada Inc.
Statement of financial position

as at December 31, 2025

	Notes	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	3	1,432,678	916,214
Accounts receivable - trade and other receivables		422,532	832,985
Government remittance receivable		195,171	333,678
Prepaid expenses		65,557	127,188
Inventory		65,945	75,427
		2,181,883	2,285,492
Marketable securities	4	378,655	489,447
Capital assets	5	26,265,589	23,907,260
		28,826,127	26,682,199
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,911,459	1,552,016
Current portion of long-term debt	7	1,702,834	2,697,128
		3,614,293	4,249,144
Deferred capital contributions	6	12,963,565	13,537,314
Long-term debt	7	5,199,974	2,372,328
		21,777,832	20,158,786
Commitments	9		
Net assets			
Investment in capital assets		7,022,412	6,500,883
Endowment fund	4	546,846	546,846
Accumulated (deficit) surplus		(520,963)	(524,316)
		7,048,295	6,523,413
		28,826,127	26,682,199

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

Approved by the Board

 Director
 Director

Teen Challenge Canada Inc.**Statement of cash flows**

year ended December 31, 2025

	Notes	2025 \$	2024 \$
Operating activities			
Excess (deficiency) of revenues over expenses		524,882	(388,327)
Items not affecting cash			
Amortization of capital assets		1,569,323	1,280,328
Gain on sale of capital assets		(711,431)	(24,816)
Amortization of deferred capital contributions		(1,195,519)	(1,570,828)
Changes in non-cash working capital components	8	979,516	482,622
		1,166,771	(221,021)
Investing activities			
Purchase of capital assets		(4,229,870)	(2,972,956)
Additions to deferred contributions		621,770	2,625,000
Proceeds on sale of capital assets		1,013,649	84,109
		(2,594,451)	(263,847)
Financing activity			
Change in marketable securities		110,792	21,972
Increase of debt principal, net		1,833,352	237,198
		1,944,144	259,170
Net change in cash and cash equivalents		516,464	(225,698)
Cash and cash equivalents, beginning of year		916,214	1,141,912
Cash and cash equivalents, end of year		1,432,678	916,214

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 \$3,988,307 (2024 - \$3,071,818) 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 \$53,419 (2024 - \$46,088).

3. Cash and cash equivalents

Included in Cash and cash equivalents at year-end is \$623,195 (2024 - \$1,200,392) 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 \$294,466 (2024 - \$168,447).

4. Marketable Securities

The Organization has invested its endowment fund in a portfolio of marketable securities. Marketable securities are recorded at fair value. \$111,048 was available for use in fiscal 2025 and transferred out of the endowment fund.

5. Capital assets

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
	\$	\$	\$	\$
Land	3,346,180	—	3,346,180	3,420,588
Buildings	31,346,959	9,851,866	21,495,093	16,853,373
Property improvements	199,985	172,601	27,384	34,231
Equipment	2,508,291	2,270,877	237,414	191,137
Computer equipment	2,085,595	1,645,886	439,709	463,104
Vehicles	2,252,440	1,633,080	619,360	611,705
Construction in progress	100,449	—	100,449	2,333,122
	41,839,899	15,574,310	26,265,589	23,907,260

6. 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.

	2025	2024
	\$	\$
Balance, beginning of year	13,537,314	12,483,142
Contributions received for capital purposes	621,770	2,625,000
Amortization of deferred capital contributions	(1,195,519)	(1,570,828)
	12,963,565	13,537,314

In 2015, the Organization launched a Campaign to raise funds for construction of new centres and expansions to current centres. 98% (2024 –98%) of the balance of deferred capital contributions is related to this capital campaign.

7. Long-term debt

	2025 \$	2024 \$
Loans and mortgages payable, bearing interest from 0.0% to 17.24%, collateralized by various land, buildings, certain equipment and vehicles, with a net book value of \$10,937,460 (2024 - \$11,532,714) due at various dates up to September 1, 2030	4,736,711	4,353,961
Loan payable, monthly payments of \$3,671, due December 1, 2026, bearing interest at 3.95% covered by a general security agreement	43,343	84,797
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 \$583,056 (2024 - \$613,743)	1,754	9,698
Loans payable, unsecured, due on demand with a range of no fixed maturity date to December 1, 2030, bearing interest from 0.0% to 7.0%	2,121,000	621,000
Total debt	6,902,808	4,832,258
Current portion	1,702,834	2,509,496
	5,199,974	2,322,762

The total interest paid on the long-term debt totalled \$280,591 (2024 - \$249,695).

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

	\$
2026	1,702,834
2027	1,426,392
2028	1,188,777
2029	389,174
2030	41,555
Thereafter	2,154,076
	6,902,808

8. Changes in non-cash working capital components

	2025	2024
	\$	\$
Decrease in accounts receivable	410,453	114,333
Decrease (increase) in prepaid expenses	61,631	(57,055)
Decrease (increase) in inventory	9,483	(36,201)
Increase in accounts payable and accrued liabilities	359,442	647,439
Decrease (increase) in government remittances receivable	138,507	(185,894)
	979,516	482,622

9. Commitments

The Organization leases office equipment under various operating leases that expire in 2026 to 2029. Future lease payments aggregate \$771,145 and include the following amounts payable over the next four years:

	\$
2026	463,204
2027	135,058
2028	93,718
2029	79,165
	771,145

10. Financial instruments

The Organization is exposed to various risks through its financial instruments. The Organization's main financial risk exposures are as follows. There have been no changes to the Organization's risk assessment in the current year.

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, 2025, the most significant financial liabilities are accounts payable and accrued liabilities and long-term debt.

11. 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.

12. 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.

	2025 \$	2024 \$
Gross contributions received, exclusive of government contributions	2,527,423	2,249,489
Total direct expenses incurred for soliciting contributions	155,542	160,308
Remuneration to employees whose principal duties involved fundraising	238,151	216,050