

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Financial Statements
Year Ended May 31, 2022

THE BACK DOOR
(a Youth Employment Society, operating as *THE DOORWAY*)
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Year Ended May 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Back Door (a Youth Employment Society, operating as THE DOORWAY)

Qualified Opinion

We have audited the financial statements of The Back Door (a Youth Employment Society, operating as THE DOORWAY), (the "Society"), which comprise the statement of financial position as at May 31, 2022, 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 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 Society as at May 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, current assets and net assets and cash flow from operations.

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 Society in accordance with 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.

Other Matter

The financial statements for the year ended May 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 12, 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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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 Society'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 Society'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 Society 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.

Sihota Taylor

Chartered Professional Accountants

Calgary, Alberta
November 21, 2022

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Statement of Financial Position
May 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash (Note 6)	\$ 480,002	\$ 440,963
Goods and services tax recoverable	8,864	4,130
Accounts receivable (Note 3)	9,240	-
Prepaid expenses and deposits	5,991	7,331
Inventory	1,500	1,500
	<u>505,597</u>	453,924
CAPITAL ASSETS (Note 4)	8,114	9,861
INTANGIBLE ASSETS (Note 5.)	<u>57,133</u>	57,155
	<u>\$ 570,844</u>	<u>\$ 520,940</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,486	\$ 26,656
Deferred contributions (Note 6)	<u>105,859</u>	80,555
	<u>137,345</u>	107,211
CEBA LOAN (Note 7.)	40,000	40,000
UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS (Note 8.)	<u>23,047</u>	28,681
	<u>63,047</u>	68,681
	<u>200,392</u>	175,892
NET ASSETS		
INVESTED IN CAPITAL ASSETS AND INTANGIBLE ASSETS	42,200	38,335
UNRESTRICTED	<u>328,252</u>	306,713
	<u>370,452</u>	345,048
	<u>\$ 570,844</u>	<u>\$ 520,940</u>

ON BEHALF OF THE BOARD

DocuSigned by:

Anneliese Colman

Director

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Director

See notes to financial statements

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Statement of Operations
Year Ended May 31, 2022

	2022	2021
REVENUES		
Grants	\$ 275,990	\$ 371,393
Corporate donations	154,220	66,863
Private donations	81,336	53,694
Special events	18,210	31,070
Government assistance (Note 9)	11,379	71,873
Alberta Gaming and Liquor Commission	10,256	8,092
Interest	576	423
	551,967	603,408
EXPENDITURES		
Wages and benefits	214,634	243,574
Sub-contracts	116,414	42,130
Occupancy	66,297	53,550
Participant incentives	24,596	23,980
Office and miscellaneous	18,919	10,588
Insurance	17,669	7,054
Utilities	13,352	14,506
Professional fees	13,340	12,395
Participant costs	12,966	6,520
Computer	11,122	15,628
Fundraising expenses	8,555	15,748
Amortization	2,910	5,213
Community awareness	2,587	14,539
Bank charges and other service fees	2,047	4,817
Training	1,155	676
	526,563	470,918
EXCESS OF REVENUES OVER EXPENDITURES	\$ 25,404	\$ 132,490

See notes to financial statements

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Statement of Changes in Net Assets
Year Ended May 31, 2022

		Invested in Capital assets and Intangible assets	Unrestricted	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$	38,335	\$ 306,713	\$ 345,048	\$ 212,558
EXCESS OF REVENUES OVER EXPENDITURES		2,726	22,678	25,404	132,490
INVESTMENT IN CAPITAL ASSETS		1,139	(1,139)	-	-
NET ASSETS - END OF YEAR	\$	42,200	\$ 328,252	\$ 370,452	\$ 345,048

See notes to financial statements

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Statement of Cash Flows
Year Ended May 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 25,404	\$ 132,490
Items not affecting cash:		
Amortization of capital assets	2,910	5,213
Amortization of unamortized capital contributions	(5,634)	-
Government assistance	-	(10,000)
	22,680	127,703
Changes in non-cash working capital:		
Accounts receivable	(9,240)	18,683
Accounts payable and accrued liabilities	4,828	16,345
Prepaid expenses and deposits	1,340	3,852
Goods and services tax recoverable	(4,734)	-
Deferred contributions	25,304	40,131
	17,498	79,011
Cash flow from operating activities	40,178	206,714
INVESTING ACTIVITY		
Purchase of capital assets	(1,139)	-
FINANCING ACTIVITY		
Advance from The Canada Emergency Business Account	-	20,000
INCREASE IN CASH FLOW	39,039	226,714
Cash - beginning of year	440,963	214,249
CASH - END OF YEAR	\$ 480,002	\$ 440,963

See notes to financial statements

THE BACK DOOR
(a Youth Employment Society, operating as THE DOORWAY)
Notes to Financial Statements
Year Ended May 31, 2022

1. PURPOSE OF ORGANIZATION

The mission of the The Back Door (a Youth Employment Society, operating as THE DOORWAY) (the "Society") is to assist young people exiting the street culture in becoming self-sufficient and engaged members of society while also engaging members of the community as partners in the transition.

The Society is incorporated under the Alberta Society's Act as a not-for-profit organization and is registered with the Government of Canada pursuant to section 149(1)(l) of the Income Tax Act and, as such, the Society is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations (ASNPO) and includes the significant accounting policies summarized below.

Deferral Method of Accounting and Revenue Recognition

The Society follows the deferral method of accounting for contributions, resulting in the recognition of revenues as follows:

Grants are recognized as revenue in the period which the funder specifies the expenditures are to be incurred. If no funding period is specified by the funder, the funding is considered unrestricted and the revenue is recognized when received or receivable.

Donations and fundraising proceeds, if externally restricted, are recognized as revenue in the period when the related expenditures are recognized. Donations and fundraising proceeds which are not externally restricted are recognized as revenue when received or receivable.

Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts expended, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized capital contributions are recognized as revenue in the year the related amortization expense of the funded capital asset is recorded.

Inventory

Inventory is valued at the lower of cost and net realizable value, cost being determined on a specific item basis and consists of artwork available for sale.

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THE BACK DOOR
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Notes to Financial Statements
Year Ended May 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Contributed Materials and Services

The Society records donations in kind with respect to materials donated at fair market value if the fair market value can reasonably be determined. Contributed materials are recognized at their estimated fair market value as items of both revenue and expense.

Volunteers contribute their time to assist the Society in carrying out its services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and other securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and the CEBA loan.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The Society recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their obligation, issuance or assumption.

Capital assets and Intangible assets

Purchased capital assets and intangible assets are recorded at cost. Contributed capital assets and intangible assets are recorded at fair market value at the date of contribution. Where the fair market value of contributed capital assets and intangible assets is not determinable, the asset is recorded at a nominal value. The expenditures incurred for the database during the development phase are being capitalized.

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THE BACK DOOR
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Notes to Financial Statements
Year Ended May 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortization

Capital assets and intangible assets are amortized over their estimated useful lives as follows:

Other equipment	20%	declining balance
Computer equipment	20%	straight-line
Website and database	20%	straight-line

Artwork, included in capital assets, does not depreciate in value and therefore is not being amortized. The Society regularly reviews its assets to eliminate obsolete and impaired items.

Management uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Accounts specifically affected by estimates in these financial statements include accounts receivable and capital assets and intangible assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	2022	2021
Grants	\$ 3,500	\$ -
Other receivables	5,740	-
	\$ 9,240	\$ -

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Other equipment	\$ 55,992	\$ 54,053	\$ 1,939	\$ 2,422
Computer equipment	25,009	23,984	1,025	2,289
Artwork	5,150	-	5,150	5,150
	\$ 86,151	\$ 78,037	\$ 8,114	\$ 9,861

THE BACK DOOR
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Notes to Financial Statements
Year Ended May 31, 2022

5. INTANGIBLE ASSETS

	2022	2021
Database	\$ 57,133	\$ 57,133
Website	6,165	6,165
	63,298	63,298
Accumulated amortization	(6,165)	(6,143)
	\$ 57,133	\$ 57,155

The database is not yet available for use; therefore, no amortization has been taken in the current or prior year.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted unspent resources which are designated for future operations and programs. Changes in the deferred contributions balance is as follows:

	2022	2021
Deferred contributions - Beginning of year	\$ 80,555	\$ 39,897
Contributions received during the year	104,338	85,000
Contributions recognized as revenue in the year	(79,034)	(44,342)
Deferred contributions - End of year	\$ 105,859	\$ 80,555

Included in deferred contributions is \$102,359 of deferred Alberta Gaming and Liquor Commission casino funds that is required to be maintained in a separate bank account and used for expenditures that are approved as allowable use of gaming proceeds.

7. CEBA LOAN

The Canada Emergency Business Account (CEBA) is a \$40,000 loan that was created by the Federal Government as a response to the COVID-19 pandemic. Eligible entities received a \$40,000 interest-free loan where \$10,000 of the amount is forgiven if repaid by December 31, 2023. If the amount is not repaid, the loan becomes a 3-year term loan bearing interest at a rate of 5% per annum, due on December 31, 2026. CEBA also offered a \$20,000 loan expansion where \$10,000 of the expansion is forgiven if repaid by December 31, 2023 with the same repayment terms and interest rate. The Society received the \$40,000 loan during the year ended May 31, 2020 and the \$20,000 loan expansion during the year ended May 31, 2021. It is the Society's intention to repay \$40,000 of the total loan on or before December 31, 2023. As such, the forgivable amount of the loan has been taken into income in prior years.

THE BACK DOOR
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Notes to Financial Statements
Year Ended May 31, 2022

8. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

Unamortized external capital contributions represent external contributions that relate to Capital assets and Intangible assets. The contributions are amortized and taken into income on the same basis as the related asset. The change in the balance for the year is as follows:

Balance, beginning of year	\$ 28,681
Amortization of unamortized capital contributions	<u>(5,634)</u>
Balance, end of year	<u>\$ 23,047</u>

9. GOVERNMENT ASSISTANCE

The Society received government assistance as part of the COVID-19 relief initiatives provided by the Federal government. During the year, the Society was entitled to and received \$11,379 (2021 - \$71,873) relating to the Canada emergency wage subsidy and Canada emergency rent subsidy. The Society has maintained compliance with all requirements under the subsidy programs to be eligible to receive payments.

10. LEASE COMMITMENT

The Society has a long term lease with respect to its premises. The lease contains renewal options and provides for payment of operating costs. Future minimum lease payments as at year end are as follows:

2023	\$ 71,040
2024	71,040
2025	71,040
2026	71,040
2027	71,040

11. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include liquidity risk, credit risk and interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its liabilities as they fall due. The Society's liquidity risk is considered to be low as the Society aims to retain sufficient cash positions to manage liquidity risk.

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THE BACK DOOR
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Notes to Financial Statements
Year Ended May 31, 2022

11. FINANCIAL INSTRUMENTS RISK MANAGEMENT *(continued)*

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge the obligation or commitment, resulting in a financial loss to the Society. The reported fair value of the financial instrument takes into account the creditworthiness of its issuer. Grant and funding revenue is paid to the Society by provincial and municipal authorities as well as large charitable organizations and foundations. The balance of operating revenue is received from a large number of diverse parties which minimizes concentration of credit risk.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.