

NEXT STEP MINISTRIES SOCIETY
Financial Statements
Year Ended December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Members of Next Step Ministries Society

Qualified Opinion

We have audited the financial statements of Next Step Ministries Society (the Society), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, 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 December 31, 2021, 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 charitable organizations, the Society derives revenue from donated support, 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. Therefore, we were not able to determine whether any adjustments might be necessary to recorded revenues, operational excess, cash flows from operations for the years ended December 31, 2020 and 2021, current assets as at December 31, 2020 and 2021, and net assets as at January 1 and December 31 for both the 2020 and 2021 years.

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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which describes that Next Step Ministries Society adopted ASNPO on January 1, 2021 with a transition date of January 1, 2020. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2020 and January 1, 2020, and the statements of revenues and expenses, changes in net assets and cash flows for the year ended December 31, 2020 and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited.

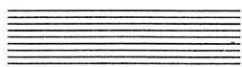
Responsibilities of Management and Those Charged with Governance for the Financial Statements

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.

May 18, 2022

Dart Bryant HP
Chartered Professional Accountants

NEXT STEP MINISTRIES SOCIETY

Statement of Financial Position

December 31, 2021

	December 31 2021	December 31 2020 (unaudited)	January 1 2020 (unaudited)
ASSETS			
CURRENT			
Cash	\$ 451,565	\$ 426,984	\$ 133,452
Inventory	8,362	-	-
Goods and services tax recoverable	4,050	3,054	2,437
Prepaid expenses	3,201	4,106	2,926
Deposits	6,750	6,750	6,750
	<u>473,928</u>	440,894	145,565
EQUIPMENT (Note 5)	<u>9,740</u>	15,065	8,305
	<u>\$ 483,668</u>	\$ 455,959	\$ 153,870
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities	\$ 92,628	\$ 31,043	\$ 17,916
Deferred rental revenue	-	-	2,261
	<u>92,628</u>	31,043	20,177
DEFERRED CONTRIBUTIONS (Note 6)	<u>183,859</u>	226,830	-
CEBA LOAN PAYABLE (Note 7)	<u>-</u>	40,000	-
	<u>276,487</u>	297,873	20,177
NET ASSETS			
Unrestricted	197,441	143,021	125,388
Invested in capital	<u>9,740</u>	15,065	8,305
	<u>207,181</u>	158,086	133,693
	<u>\$ 483,668</u>	\$ 455,959	\$ 153,870

LEASE COMMITMENTS (Note 8)

ON BEHALF OF THE BOARD

Director

Director

The accompanying notes are an integral part of these financial statements

NEXT STEP MINISTRIES SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2021

	2021	2020 (unaudited)
REVENUES		
Individual support	\$ 371,921	\$ 293,003
Church and foundation support	126,446	112,174
Corporate support	50,521	27,669
House rental	23,728	26,334
Events and social enterprises	30,029	14,870
Grants (Note 6)	428,210	99,074
Government subsidies (Note 7)	38,401	73,437
	<u>1,069,256</u>	<u>646,561</u>
EXPENSES		
Amortization	5,325	4,226
Conferences and memberships	3,807	1,769
Direct program costs	38,034	24,313
Events and social enterprises	15,330	19,816
Facilities	126,433	96,756
GST paid	5,577	2,313
Marketing and promotion	7,813	8,726
Office	66,220	26,086
Salaries and benefits	731,588	422,684
Travel and communications	20,034	15,479
	<u>1,020,161</u>	<u>622,168</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 49,095</u>	<u>\$ 24,393</u>

NEXT STEP MINISTRIES SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2021

	Unrestricted	Invested in Capital	2021	2020 (unaudited)
NET ASSETS - BEGINNING OF YEAR	\$ 143,021	\$ 15,065	\$ 158,086	\$ 133,693
EXCESS OF REVENUES OVER EXPENSES	54,420	(5,325)	49,095	24,393
NET ASSETS - END OF YEAR	\$ 197,441	\$ 9,740	\$ 207,181	\$ 158,086

NEXT STEP MINISTRIES SOCIETY**Statement of Cash Flows****Year Ended December 31, 2021**

	2021	2020 (unaudited)
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 49,095	\$ 24,393
Item not affecting cash:		
Amortization of equipment	5,325	4,226
	<u>54,420</u>	<u>28,619</u>
Changes in non-cash working capital:		
Inventory	(8,362)	-
Accounts payable and accrued liabilities	61,585	13,129
Deferred rental revenue	-	(2,261)
Prepaid expenses	905	(1,183)
Goods and services tax recoverable	(996)	(616)
Deferred contributions	(42,971)	226,830
	<u>10,161</u>	<u>235,899</u>
Cash flow from operating activities	<u>64,581</u>	<u>264,518</u>
INVESTING ACTIVITY		
Purchase of equipment	-	(10,986)
FINANCING ACTIVITIES		
Advance (repayment) of CEBA loan	(30,000)	40,000
CEBA loan forgiveness portion	(10,000)	-
Cash flow from (used by) financing activities	<u>(40,000)</u>	<u>40,000</u>
INCREASE IN CASH FLOW	24,581	293,532
Cash - beginning of year	<u>426,984</u>	<u>133,452</u>
CASH - END OF YEAR	\$ 451,565	\$ 426,984

NEXT STEP MINISTRIES SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

1. PURPOSE OF THE SOCIETY

Next Step Ministries Society (the "Society") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta on November 24, 2010. As a registered charity the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Society's mission is to walk alongside women exiting sexual exploitation as they break the cycles of addiction and abuse. The Society runs outreach, housing, day and follow care programs to meet the needs of vulnerable and exploited women in Calgary.

The continued operation of the Society is dependent on the continual support of interested individuals and organizations.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Society adopted Canadian accounting standards for not-for-profit organizations (ASNPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNPO had no impact on net assets as at January 1, 2020 or revenues and expenses or cash flows for the year ended December 31, 2020 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) on the going concern basis and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year in which they are incurred. In subsequent periods, financial instruments with actively traded markets, if any, are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

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

Measurement 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 amount 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.

The most significant estimates included in these financial statements include allowance for obsolete inventory, the amortization method and life for equipment, impairment of capital assets, accrued liabilities, allocation of expenses and amount of deferred contributions, and government subsidies.

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NEXT STEP MINISTRIES SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Next Step Ministries Society follows the deferral method of accounting for contributions.

All revenues and contributions are recognized when the amounts are known, collection is reasonably assured, and the following criteria are met:

1. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purpose of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment.
2. Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
3. Funds received from sale of merchandise are recognized at the point of sale.
4. Events and other revenue is recognized when earned.
5. Rental income is recognized as the service or contract is completed and collection is reasonably assured.
6. Government assistance includes subsidies received from government agencies and is recognized as revenue when there is reasonable assurance that it will be received in the period for which the subsidy is calculated. Government assistance is subject to government review, which could result in future adjustments to income.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments that are highly liquid, are readily convertible to known amounts of cash, and are subject to insignificant risk of change in value.

Inventory

Inventory, which consists of various clothing articles and materials for supporting the Society's activities, is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventory includes all costs to purchase, convert, and bring the inventories to their present location and condition. Cost is determined using the weighted-average cost formula for all inventory items. Inventory expensed during the year was \$14,101 (2020: \$7,323).

Equipment

Equipment is stated at cost or deemed cost less accumulated amortization. Contributed equipment assets are recorded at fair value at the date of contribution. Equipment is amortized over its estimated useful life as follows:

Furniture and fixtures	5 years	Straight-line method
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When a tangible capital asset no longer contributes to the Society's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

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NEXT STEP MINISTRIES SOCIETY**Notes to Financial Statements****Year Ended December 31, 2021****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Donated services and materials**

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, when fair value can be reasonably estimated and when the materials are used in the normal course of operations, and would otherwise have been purchased.

4. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the Society is not exposed to significant risks arising from these financial instruments.

5. EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Furniture and fixtures	\$ 26,625	\$ 16,885	\$ 9,740	\$ 15,065

6. DEFERRED CONTRIBUTIONS

	2020	Contributions	Utilized	2021
<u>Grants</u>				
Alberta Gov Community Initiatives	\$ 75,000	\$ -	\$ 48,666	\$ 26,334
Calgary Foundation Community	60,000	-	60,000	-
United Way	40,000	-	40,000	-
Private Foundations	26,500	-	26,500	-
Cal Foundation Pandemic Recovery	-	75,000	75,000	-
Alberta Government Civil Society	-	112,500	55,798	56,702
CSIF City of Calgary	-	130,000	39,354	90,646
Canadian Women's Foundation	-	75,000	73,805	1,195
Canada Summer Job	-	9,087	9,087	-
	201,500	401,587	428,210	174,877
<u>Restricted donations</u>				
Emerge Free Project	23,930	-	14,948	8,982
Other projects	1,400	-	1,400	-
	25,330	-	16,348	8,982
	\$ 226,830	\$ 401,587	\$ 444,558	\$ 183,859

NEXT STEP MINISTRIES SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

7. GOVERNMENT SUBSIDIES

During the prior year, the Society obtained a loan through the Federal Government's "Canada Emergency Business Assistance" program (CEBA). The loan was provided by the RBC, is guaranteed by the Government of Canada, and is interest-free through the end of 2023. The Society has repaid all outstanding loan in the current year and therefore recognized the \$10,000 forgiveness amount in the same year under government covid subsidy.

During the year the Society recorded government subsidies through the CEWS and CERS programs totalling \$28,071 (2020: \$73,437).

8. LEASE COMMITMENTS

The Society has long term leases with respect to its premises. The leases contain renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2021, are as follows:

	Office	Housing	Total
2022	\$ 38,717	\$ 18,180	\$ 56,897

The Society is expected to recover the cost of its housing rental from its clients and Alberta government subsidies.

9. HEALTH PANDEMIC

In March 2020, the World Health Organization has categorized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has led to a number of public health and emergency measures which have been put in place by various levels of government to attempt to combat the spread of the virus. At this time, the duration and potential impact of COVID-19 is unknown and it is not possible to reliably estimate the impact these events may have on the financial results and condition of the Society in future periods.

Subsequent to year end, the majority of public health measures were lifted in Alberta and management has implemented appropriate actions to return to more normal operations in fiscal 2022.
