

**HEART TOUCHING HEART MINISTRIES**  
**operating as The Dam Youth Drop-in**

**FINANCIAL STATEMENTS**

DECEMBER 31, 2006

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## AUDITORS' REPORT

TO THE MEMBERS OF  
HEART TOUCHING HEART MINISTRIES

We have audited the statement of financial position of Heart Touching Heart Ministries as at December 31, 2006 and the statements of changes in net assets and revenue and expenditure and changes in cash position for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenue from donations and fund raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these items was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donations and fund raising, excess of revenue over expenditure, current assets and net assets.

In our opinion, except for any adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and fund raising referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2006 and the results of operations and changes in its cash position for the year then ended in accordance with Canadian generally accepted accounting principles.

Mississauga, Ontario  
March 26, 2007



CHARTERED ACCOUNTANTS

**HEART TOUCHING HEART MINISTRIES**  
operating as The Dam Youth Drop-in  
**STATEMENT OF FINANCIAL POSITION**

As at December 31	2006				2005
	<u>General</u>	<u>Equipment</u>	<u>Building</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current</b>					
Cash and short term deposits	\$ 101,496	\$ -	\$ 80,981	\$ 182,477	\$ 132,937
Goods and services tax recoverable	<u>4,375</u>	<u>-</u>	<u>-</u>	<u>4,375</u>	<u>3,371</u>
	<b>105,871</b>	<b>-</b>	<b>80,981</b>	<b>186,852</b>	136,308
<b>Equipment</b>	<i>note 3</i> <u>-</u>	<u>2,835</u>	<u>-</u>	<u>2,835</u>	<u>7,467</u>
	<u><b>\$ 105,871</b></u>	<u><b>\$ 2,835</b></u>	<u><b>\$ 80,981</b></u>	<u><b>\$ 189,687</b></u>	<u><b>\$ 143,775</b></u>
<b>NET ASSETS</b>					
<b>Fund balance</b>	<i>page 4</i> <u><b>\$ 105,871</b></u>	<u><b>\$ 2,835</b></u>	<u><b>\$ 80,981</b></u>	<u><b>\$ 189,687</b></u>	<u><b>\$ 143,775</b></u>

*Approved on behalf of the board:*

"Mr. J. Kitchen"

President

"Mr. R. Sugimura"

Treasurer

**HEART TOUCHING HEART MINISTRIES**  
**operating as The Dam Youth Drop-in**  
**STATEMENT OF CHANGES IN NET ASSETS**

<b>For the year ended December 31</b>	<b>2006</b>				<b>2005</b>
	<u>General</u>	<u>Equipment</u>	<u>Building</u>	<u>Total</u>	<u>Total</u>
Net assets, beginning of year	\$ 56,058	\$ 7,467	\$ 80,250	\$ 143,775	\$ 123,697
Excess of revenue over expenditure for the year	50,148	(4,967)	731	45,912	20,078
Transfer	(335)	335	-	-	-
<b>Net assets, end of year</b>	<u>\$ 105,871</u>	<u>\$ 2,835</u>	<u>\$ 80,981</u>	<u>\$ 189,687</u>	<u>\$ 143,775</u>

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

**HEART TOUCHING HEART MINISTRIES**  
operating as The Dam Youth Drop-in  
**STATEMENT OF REVENUE AND EXPENDITURE**

<b>For the year ended December 31</b>	<b>2006</b>			<b>2005</b>	
	<u>General</u>	<u>Equipment</u>	<u>Building</u>	<u>Total</u>	<u>Total</u>
<b>Revenue</b>					
Donations and fund raising	\$ 404,692	\$ -	\$ 731	\$ 405,423	\$ 378,236
Donations in-kind	54,982	-	-	54,982	51,695
FaithWorks funding	60,000	-	-	60,000	60,418
Region of Peel funding	55,034	-	-	55,034	34,624
Other revenues and grants	22,728	-	-	22,728	-
Interest	61	-	-	61	2,172
	<u>597,497</u>	<u>-</u>	<u>731</u>	<u>598,228</u>	<u>527,145</u>
<b>Expenditure</b>					
Administrative	5,611	-	-	5,611	8,866
Advertising and fund raising	10,420	-	-	10,420	29,444
Amortization	-	3,728	-	3,728	3,484
Audit	1,629	-	-	1,629	1,139
Bank charges and fees	3,901	-	-	3,901	5,071
Donations in-kind	17,908	-	-	17,908	14,844
Insurance	4,790	-	-	4,790	4,790
Loss on sale of equipment	-	1,239	-	1,239	-
Programme supplies	39,165	-	-	39,165	27,997
Rent	74,925	-	-	74,925	55,156
Salaries and benefits	367,540	-	-	367,540	328,275
Telephone	5,629	-	-	5,629	6,140
Training and development	9,901	-	-	9,901	15,735
Travel	5,930	-	-	5,930	6,126
	<u>547,349</u>	<u>4,967</u>	<u>-</u>	<u>552,316</u>	<u>507,067</u>
<b>Excess of revenue over expenditure for the year</b>	<u>\$ 50,148</u>	<u>\$ (4,967)</u>	<u>\$ 731</u>	<u>\$ 45,912</u>	<u>\$ 20,078</u>

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

**HEART TOUCHING HEART MINISTRIES**  
**operating as The Dam Youth Drop-in**  
**STATEMENT OF CHANGES IN CASH POSITION**

<b>For the year ended December 31</b>	<b>2006</b>	<b>2005</b>
<b>Cash provided by (used by)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditure for the year		
General	\$ 50,148	\$ 7,387
Building	731	16,175
Equipment	(4,967)	(3,484)
	<u>45,912</u>	<u>20,078</u>
Items not involving cash		
Amortization	3,728	3,484
Loss on sale of equipment	1,239	-
	<u>50,879</u>	<u>23,562</u>
Changes in non-cash working capital balances		
Goods and services tax recoverable	(1,004)	553
Prepaid expenses	-	9,144
	<u>49,875</u>	<u>33,259</u>
<b>Investing activities</b>		
Purchase of equipment	(1,335)	-
Proceeds on sale of equipment	1,000	-
	<u>(335)</u>	<u>-</u>
<b>Increase in cash for the year</b>	<b>49,540</b>	<b>33,259</b>
Cash and short term investments, beginning of year	132,937	99,678
<b>Cash and short term investments, end of year</b>	<b><u>\$ 182,477</u></b>	<b><u>\$ 132,937</u></b>

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

# HEART TOUCHING HEART MINISTRIES

operating as The Dam Youth Drop-in

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

### 1. Nature of the organization

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Heart Touching Heart Ministries, operating as The Dam Youth Drop-in, is a Christian organization committed to being a welcoming and safe community for youth-at-risk. We become a friend and resource to youth and their families by building relationships and providing programs that focus on their physical, social, emotional and spiritual well-being.

The purpose of the Organization is to provide programmes for marginalized teenagers in Mississauga, Ontario. The Organization seeks to attract youth from the local community into a drop-in style environment. Participants are encouraged to participate in programmes such as therapeutic drama, literary workshops and sports, thereby building relationships with Christian staff and community volunteers who are able to provide assistance to those outside traditional social service programmes.

The Organization was incorporated March 9, 1995 without share capital under the laws of Ontario and is exempt from income taxes as a registered charity under the Income Tax Act. The Organization has met all of the requirements to maintain its tax exempt status.

### 2. Significant accounting policies

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#### Disclosure and use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

#### Fund Accounting

The Organization follows the principles of fund accounting whereby funds are segregated and their use restricted. The Organization has no donor restricted funds. The funds are held in accordance with the policies set by the Board.

General Fund	-	This fund includes the day-to-day programmes of The Dam Drop-in.
Equipment Fund	-	Equipment is recorded at cost and are amortized over their estimated lives as follows -
	Computer	- 3 years straight line
	Program equipment	- 5 years straight line
Building Fund	-	These funds have been designated for expansion to new premises.

#### Revenue recognition

The Organization follows the accrual basis of accounting except that donations are recorded when received. Pledges are not recognized until received.

## HEART TOUCHING HEART MINISTRIES

operating as The Dam Youth Drop-in

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

#### 2. Significant accounting policies

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##### Donations in kind

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

The Organization receives contributed materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair value can be determined.

#### 3. Equipment

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Computer	\$ 6,657	\$ 5,417	\$ 5,822	\$ 3,291
Program equipment	<u>2,618</u>	<u>1,023</u>	<u>7,716</u>	<u>2,780</u>
	<u>\$ 9,275</u>	<u>\$ 6,440</u>	<u>\$ 13,538</u>	<u>\$ 6,071</u>
Cost less accumulated amortization		<u>\$ 2,835</u>		<u>\$ 7,467</u>

#### 4. Lease obligations

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The Organization has a lease obligation for the drop in centre at the Meadowvale Town Centre whereby the Organization is responsible for only the common area costs for the period January 1, 2006 to December 31, 2007. These costs are approximately \$2,041 per month.

In addition, the Organization leases administrative space under a lease expiring June 30, 2007 for \$3,600 per month gross rent .

#### 5. Financial instruments

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The Organization's financial instruments include cash and short term investments. Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in fair value is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.