

Financial Statements of

**HARVEST HOUSE
MINISTRIES OF OTTAWA-
CARLETON**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Harvest House Ministries of Ottawa-Carleton

Opinion

We have audited the financial statements of Harvest House Ministries of Ottawa-Carleton (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the 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 opinion.

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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kanata, Canada

October 19, 2022

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 467,161	\$ 420,845
Accounts receivable (note 2)	10,276	18,740
HST recoverable	9,145	9,288
Inventory	1,000	1,000
Prepaid expenses	11,328	10,663
	<u>498,910</u>	<u>460,536</u>
Capital assets (note 3)	1,150,042	1,164,895
	<u>\$ 1,648,952</u>	<u>\$ 1,625,431</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 129,828	\$ 168,974
Accrued retirement benefits	-	31,478
Current portion of long-term debt (note 9)	5,179	4,811
	<u>135,007</u>	<u>205,263</u>
Long-term debt (note 9)	19,788	32,333
Deferred government grant	2,772	2,862
	<u>157,567</u>	<u>240,458</u>
Net assets:		
Capital asset fund (note 5)		
Invested in capital assets	1,224,130	1,127,751
Externally restricted (note 6)	40,292	40,292
	<u>1,264,422</u>	<u>1,168,043</u>
General fund:		
Net assets	226,963	216,930
	<u>1,491,385</u>	<u>1,384,973</u>
Commitments (note 10)		
	<u>\$ 1,648,952</u>	<u>\$ 1,625,431</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	General Fund	Capital Asset Fund	2022	2021
Revenue:				
Donations	\$ 892,709	\$ 16,236	\$ 908,945	\$ 861,252
Fundraising	537,990	-	537,990	404,506
Room and board	127,004	-	127,004	132,204
Manufacturing	1,830	-	1,830	10,504
	<u>1,559,533</u>	<u>16,236</u>	<u>1,575,769</u>	<u>1,408,466</u>
Expenditures:				
Salaries and benefits (note 7)	1,027,747	-	1,027,747	1,002,888
Amortization	-	75,991	75,991	73,985
Utilities	75,972	-	75,972	79,026
Rent	61,633	-	61,633	73,448
Fundraising	53,098	-	53,098	76,619
Food	48,907	-	48,907	44,759
Maintenance and repairs	43,803	-	43,803	64,661
Professional fees	33,303	-	33,303	90,015
Telephone	31,114	-	31,114	37,587
Automobile	26,465	-	26,465	23,366
Bonuses and stipends	20,821	-	20,821	38,067
Interest and bank charges	20,359	-	20,359	18,633
Waste removal	17,838	-	17,838	14,225
Personal needs allowance	17,251	-	17,251	12,778
Office supplies	14,915	-	14,915	13,452
Insurance	12,246	-	12,246	14,873
Equipment leasing	12,754	-	12,754	15,128
Training and education	6,596	-	6,596	13,467
Miscellaneous and other	4,186	-	4,186	4,209
Travel	3,588	-	3,588	1,574
Books and tapes	3,487	-	3,487	375
Memberships and dues	2,691	-	2,691	2,332
Interest on long-term debt	-	2,436	2,436	2,747
Resident care	828	-	828	1,993
Bad debts	9,961	-	9,961	657
Loss on sale of capital assets	-	821	821	-
	<u>1,549,563</u>	<u>79,248</u>	<u>1,628,811</u>	<u>1,720,864</u>
Deficiency of revenue over expenditures before the undernoted item	9,970	(63,012)	(53,042)	(312,398)
Other income:				
Government assistance (note 11)	159,454	-	159,454	-
Excess (deficiency) of revenue over expenditures	\$ 169,424	\$ (63,012)	\$ 106,412	\$ 103,542

See accompanying notes to financial statements.

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Statement of Changes Net Assets

Year ended March 31, 2022, with comparative information for 2021

	General Fund		Capital Asset Fund		2022	2021
Balance, beginning of year	\$	216,930	\$	1,168,043	\$	1,384,973
Excess (deficiency) of revenue over expenditures		169,424		(63,012)		103,542
Interfund transfers (note 8)		(159,391)		159,391		-
Balance, end of year	\$	226,963	\$	1,264,422	\$	1,491,385

See accompanying notes to financial statements.

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 106,412	\$ 103,542
Items not involving cash:		
Amortization	75,991	73,985
Government grant	-	(10,459)
Interest expense	1,581	1,534
Deferral of loan payable interest free benefit	(1,491)	(2,862)
Loss on disposal of capital assets	821	-
Changes in non-cash operating working capital:		
Decrease in accounts receivable	8,464	4,425
Increase in prepaid expenses	(665)	-
Increase (decrease) in accounts payable and accrued liabilities	(39,145)	98,217
Decrease in accrued retirement benefits	(31,478)	(3,662)
Decrease in HST recoverable	143	3,661
Increase (decrease) in deferred government grant	(90)	2,862
	120,543	271,243
Financing activities:		
Proceeds from long-term debt	-	35,700
Repayment of long-term debt	(12,267)	(4,453)
	(12,267)	31,247
Investing activities:		
Purchase of capital assets	(61,960)	(63,438)
Increase in cash	46,316	239,052
Cash, beginning of year	420,845	181,793
Cash, end of year	\$ 467,161	\$ 420,845

See accompanying notes to financial statements.

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements

Year ended March 31, 2022

Harvest House Ministries of Ottawa-Carleton (the "Company") is a non-profit organization created to operate a recovery program for young men suffering from drug and alcohol abuse, criminal behaviour and other problems that require charitable assistance. Harvest House Ministries of Ottawa-Carleton is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

(a) Basis of accounting:

The Ministry follows the restricted fund method of accounting for contributions.

The general fund supports continuing education, life skills training, recovery education, fundraising, vocational skills development, and general administration.

The capital asset fund reports the assets, liabilities, revenues, and expenditures related to the Ministry's capital assets.

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

Asset	Rate
Building	4%
Furniture and equipment	20%
Vehicles	30%
Computer hardware	30%

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(c) Capital assets (continued):

The carrying amount of an item of tangible capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(d) Gifts-in-kind:

Gifts-in-kind have not been recorded in the financial statements.

(e) Inventory:

Inventory of materials and finished goods is valued at the lower of cost and net realizable value. Finished goods cost includes the cost of materials.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Ministry has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs and are amortized on a straight-line basis.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Ministry determines if there is a significant adverse change in the expected amount or timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Ministry expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the determination of the useful life of capital assets and the provision for impairment of accounts receivable. Actual results could differ from those estimates.

(h) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of net income for the period. Government assistance related to capital expenditures is recorded as a reduction of the cost of the related item of property and equipment. Government assistance is recognized when there is a reasonable assurance the Company has met the requirements of the funding agreement. Any liability to repay government assistance is recorded in the period in which conditions arise that cause government assistance to be repayable.

2. Accounts receivable:

Included in accounts receivable are pledges of \$10,555 (2021 - \$7,365). Pledges receivable consist of monthly post-dated cheques and pre-authorized donations that have been pledged by donors. The amount of revenue recognized from pledges during the current year is \$13,751 (2021 - \$12,840).

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Building	1,784,279	786,138	998,141	1,024,756
Furniture and equipment	666,784	591,441	75,343	44,939
Vehicles	91,287	61,317	29,970	43,637
Computer hardware	231,659	210,071	21,588	26,563
Computer software	57,772	57,772	-	-
Musical instruments	1,852	1,852	-	-
	\$ 2,858,633	\$ 1,708,591	\$ 1,150,042	\$ 1,164,895

Cost and accumulated amortization at March 31, 2021 amounted to \$2,813,438 and \$1,648,543, respectively.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$61,155 (2021 - \$88,389), which include payroll-related taxes and Canada Emergency Wage Subsidy.

5. Capital asset fund:

	2022	2021
Capital assets	\$ 1,150,042	\$ 1,164,895
Externally restricted contributions	139,347	40,292
Long-term debt	(24,967)	(37,144)
	\$ 1,264,422	\$ 1,168,043

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Externally restricted net assets:

At March 31, 2021, the Ministry had \$40,292 (2020 - \$37,114) of externally restricted net assets related to capital assets to be used for renovation projects. During the year, \$114,113 (2021 - \$45,000) was contributed to the project, and \$15,058 (2021 - \$41,822) was spent on related capital expenditures. The remaining amount of \$139,347 (2021 - \$40,292) has been externally restricted for use in various renovation projects, building repairs, and course/program development.

7. Salaries and benefits:

Salaries and benefits are broken down as follows:

	2022	2021
Administration	\$ 219,696	\$ 234,095
Fundraising	32,804	59,858
Programs	565,592	447,356
General	209,655	261,579
	<u>\$ 1,027,747</u>	<u>\$ 1,002,888</u>

8. Interfund transfers:

A transfer of \$159,391 (2021 - \$14,903) was made from the general fund to the capital asset fund to cover outlays for capital asset acquisitions, and loan principal and interest payments in excess of new borrowings.

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Long-term debt:

	2022	2021
Canada Emergency Business Account (CEBA), forgivable loan	\$ 16,547	\$ 23,913
Loan payable, bearing interest at 7.74%, per annum, payable monthly	8,420	13,231
	24,967	37,144
Current portion of long-term debt	5,179	4,811
	\$ 19,788	\$ 32,333

In April 2020, Harvest House was approved and received a \$35,700 term loan with RBC Bank under the Canada Emergency Business Account ("CEBA Term Loan") program funded by the Government of Canada. The CEBA Term Loan is non-interest bearing and can be repaid at any time without penalty. Harvest House has recorded a fair value of \$31,304 at inception, discounted using its incremental borrowing rate of 5%. The difference of \$8,925 between the fair value and the total amount of CEBA Term Loan received has been recorded as a government grant and is being amortized over the term of the loan.

The loan payable relates to the purchase of a vehicle required for business use. The loan bears an interest rate of 7.74% and repayment terms of \$472 per month. The loan matures on October 16, 2023.

10. Commitments:

The Ministry rents equipment under long-term operating leases that expire between October 2023 and June 2024.

2023	\$ 8,824
2024	5,227
2025	605
	\$ 14,656

HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Government assistance:

During the year, the Ministry received \$144,191 (2021 - \$453,190) in funding from the Government of Canada for the Canada Emergency Wage Subsidy. The Ministry also received \$15,263 (2021 - \$Nil) in funding from the Government of Canada for the Canada Emergency Rent Subsidy.

12. Financial risks:

In the normal course of business, the Ministry uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk and market risk. Market risk consists of currency risk and interest rate risk. These financial instruments are subject to normal credit conditions, financial controls, risk management as well as monitoring procedures.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Ministry deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

(b) Liquidity risk:

Liquidity risk is the risk that the Ministry will encounter difficulty in meeting obligations associated with financial liabilities. The Ministry is exposed to liquidity risk arising primarily from accounts payable and accrued liabilities. The Ministry's ability to meet obligations depends on the receipt of funds from its operating activities.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Ministry believes it is not subject to significant other price and interest rate risks.

(d) Currency risk:

Currency risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in foreign exchange rates. The Ministry is not exposed to currency risk.