

Financial Statements of

**HARVEST HOUSE  
MINISTRIES OF OTTAWA-  
CARLETON**

And Independent Auditor's Report thereon

Year ended March 31, 2024



## **KPMG LLP**

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# **INDEPENDENT AUDITOR'S 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, 2024
- the statement of operations for the year then ended
- the statement of changes in 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, 2024 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***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 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.



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- 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 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 Entity 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.
- 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.

A handwritten signature in blue ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kanata, Canada

January 15, 2025

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 258,403	\$ 510,342
Accounts receivable (note 2)	36,630	17,879
HST recoverable	12,196	12,746
Inventory	1,000	1,000
Prepaid expenses	13,946	11,378
	<u>322,175</u>	<u>553,345</u>
Capital assets (note 3)	1,358,063	1,186,700
	<u>\$ 1,680,238</u>	<u>\$ 1,740,045</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 113,697	\$ 247,634
Current portion of long-term debt (note 9)	6,067	5,604
	<u>119,764</u>	<u>253,238</u>
Long-term debt (note 9)	3,221	27,416
Deferred government grant	-	1,191
	<u>122,985</u>	<u>281,845</u>
Net assets:		
Capital asset fund (note 5):		
Invested in capital assets	1,348,775	1,153,680
Externally restricted (note 6)	220,749	219,386
	<u>1,569,524</u>	<u>1,373,066</u>
General fund:		
Net assets (deficit)	(12,271)	85,134
	<u>1,557,253</u>	<u>1,458,200</u>
Commitments (note 10)		
	<u>\$ 1,680,238</u>	<u>\$ 1,740,045</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, 2024, with comparative information for 2023

	General Fund	Capital Asset Fund	2024 Total	2023 Total
<b>Revenue:</b>				
Donations	\$ 855,173	\$ 271,802	\$ 1,126,975	\$ 915,292
Fundraising	513,274	-	513,274	538,014
Room and board	188,621	-	188,621	149,783
Manufacturing	3,625	-	3,625	10,850
	1,560,693	271,802	1,832,495	1,613,939
<b>Expenses:</b>				
Salaries and benefits (note 7)	973,191	-	973,191	933,586
Food	108,965	-	108,965	68,745
Fundraising	88,608	-	88,608	93,908
Utilities	88,016	-	88,016	99,264
Amortization	-	84,488	84,488	76,275
Maintenance and repairs	67,638	-	67,638	61,823
Automobile	53,356	-	53,356	41,113
Rent	46,529	-	46,529	49,281
Personal needs allowance	38,133	-	38,133	32,779
Professional fees	36,908	-	36,908	54,663
Telephone	22,792	-	22,792	21,603
Interest and bank charges	18,655	-	18,655	22,452
Training and education	16,834	-	16,834	3,819
Bonuses and stipends	16,554	-	16,554	15,198
Equipment leasing	16,432	-	16,432	15,837
Insurance	15,098	-	15,098	13,945
Office supplies	13,074	-	13,074	15,917
Waste removal	12,442	-	12,442	17,981
Travel	8,773	-	8,773	4,941
Books and tapes	2,453	-	2,453	4,497
Interest on long-term debt	-	2,189	2,189	2,481
Resident care	1,080	-	1,080	1,126
Memberships and dues	1,034	-	1,034	2,783
Miscellaneous and other	175	-	175	5,331
Bad debts	25	-	25	-
Gain on sale of capital assets	-	-	-	(12,224)
	1,646,765	86,677	1,733,442	1,647,124
Excess (deficiency) of revenue over expenses	\$ (86,072)	\$ 185,125	\$ 99,053	\$ (33,185)

See accompanying notes to financial statements.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

## Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	General Fund	Capital Asset Fund	2024 Total	2023 Total
Net assets, beginning of year	\$ 85,134	\$ 1,373,066	\$ 1,458,200	\$ 1,491,385
Excess (deficiency) of revenue over expenses	(86,072)	185,125	99,053	(33,185)
Interfund transfers (note 8)	(11,333)	11,333	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ (12,271)</b>	<b>\$ 1,569,524</b>	<b>\$ 1,557,253</b>	<b>\$ 1,458,200</b>

See accompanying notes to financial statements.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

## Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 99,053	\$ (33,185)
Items not involving cash:		
Amortization	84,488	76,275
Gain on sale of capital assets	-	(12,224)
Interest expense	1,202	1,581
Changes in non-cash operating working capital:		
Increase in accounts receivable	(18,751)	(7,603)
Decrease (increase) in hst recoverable	550	(3,601)
Increase in prepaid expenses	(2,568)	(50)
Increase (decrease) in accounts payable and accrued liabilities	(133,938)	117,806
Decrease in deferred government grant	(1,191)	(1,581)
	<u>28,845</u>	<u>137,418</u>
Financing activities:		
Proceeds from long-term debt	-	17,531
Repayment of long-term debt	(24,934)	(11,059)
	<u>(24,934)</u>	<u>6,472</u>
Investing activities:		
Purchase of capital assets	(255,850)	(119,268)
Proceeds from disposal of capital assets	-	18,559
	<u>(255,850)</u>	<u>(100,709)</u>
Increase (decrease) in cash	(251,939)	43,181
Cash, beginning of year	510,342	467,161
Cash, end of year	<u>\$ 258,403</u>	<u>\$ 510,342</u>

See accompanying notes to financial statements.



# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements

Year ended March 31, 2024

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## **Nature of operations:**

Harvest House Ministries of Ottawa-Carleton "the Ministry" 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 under paragraph 149(1)(f) of the Income Tax Act (Canada) and is not subject to income taxes.

## **1. Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, in Part III of the CPA Canada Handbook - Accounting 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.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### (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%
Shop Tools	20%

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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.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 1. Significant accounting policies (continued):

### (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.

### (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.

## 2. Accounts receivable:

Included in accounts receivable are pledges of \$19,975 (2023 - \$5,622). 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 \$75,460 (2023 - \$26,404).

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

### 3. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 100,252	\$ -	\$ 100,252	\$ 25,000
Building	1,960,901	870,567	1,090,334	1,024,245
Furniture and equipment	738,830	631,030	107,800	85,792
Vehicles	113,519	71,799	41,720	29,772
Computer hardware	242,733	224,776	17,957	21,891
Computer software	57,772	57,772	-	-
Musical instruments	1,852	1,852	-	-
	<b>\$ 3,215,859</b>	<b>\$ 1,857,796</b>	<b>\$ 1,358,063</b>	<b>\$ 1,186,700</b>

Cost and accumulated amortization at March 31, 2023 amounted to \$2,960,008 and \$1,773,308, respectively.

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$50,923 (2023 - \$190,855), which include payroll-related taxes.

### 5. Capital asset fund:

	2024	2023
Capital assets	\$ 1,358,063	\$ 1,186,700
Externally restricted contributions	220,749	219,386
Long-term debt	(9,288)	(33,020)
	<b>\$ 1,569,524</b>	<b>\$ 1,373,066</b>

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 6. Externally restricted net assets:

At March 31, 2024, the Ministry had \$220,749 (2023 - \$219,386) of externally restricted net assets related to capital assets to be used for renovation projects. During the year, \$273,165 (2023 - \$173,922) was contributed to the project, and \$271,802 (2023 - \$93,882) was spent on related capital expenditures.

## 7. Salaries and benefits:

	2024	2023
Administration	\$ 136,027	\$ 172,381
Fundraising	135,608	51,085
Programs	501,789	513,030
General	199,767	197,090
	<u>\$ 973,191</u>	<u>\$ 933,586</u>

## 8. Interfund transfers:

A transfer of \$11,333 (2023 - \$81,294) 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, 2024

## 9. Long-term debt:

	2024	2023
Canada Emergency Business Account (CEBA), repaid during the year	\$ -	\$ 18,128
Loan payable, bearing interest at 7.98%, per annum, payable monthly	9,288	14,892
	9,288	33,020
Less current portion long-term debt	6,067	5,604
	\$ 3,221	\$ 27,416

The loan payable relates to the purchase of a vehicle required for business use. The loan bears an interest rate of 7.98% and repayment terms of \$549.20 per month. The loan matures on September 9, 2025 and is secured by a vehicle with a net book value of \$9,698.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 10. Commitments:

The Ministry rents equipment under long-term operating leases that expire between October 2023 and January 2029.

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2025	\$	12,473
2026		11,868
2027		11,868
2028		11,079
Thereafter		6,534
	\$	53,822

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## 11. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Ministry will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Ministry manages its liquidity risk by monitoring its operating requirements. The Ministry prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) 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. The Ministry monitors the credit risk of customers through credit rating reviews.

(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.

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ministry is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

# HARVEST HOUSE MINISTRIES OF OTTAWA-CARLETON

Notes to Financial Statements (continued)

Year ended March 31, 2024

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## 11. Financial risks and concentration of risk (continued):

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Ministry is not exposed to interest rate risk as it holds no investments.

(f) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Ministry is not exposed to other price risk as it holds no investments.

There have been no changes to the risk exposure from March 31, 2023.