

FINANCIAL STATEMENTS
For
JERICO ROAD MINISTRIES
For year ended
DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the directors of

JERICO ROAD MINISTRIES*Qualified Opinion*

We have audited the financial statements of Jericho Road Ministries (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and 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 Organization as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, fundraising activities and rental revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, fundraising revenue, rental revenue, total revenue, excess of revenue over expenses (expenses over revenue), and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 - Restated Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes that certain comparative information presented for the year ended December 31, 2021 has been restated.

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

Those charged with governance are responsible for overseeing the Organization'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 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 Organization'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 Organization'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 Organization 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.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 23, 2023.

JERICO ROAD MINISTRIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u> (as restated - Note 2)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 199,307	\$ 221,662
Accounts receivable	11,928	15,134
Prepaid expenses (note 5)	<u>24,582</u>	<u>22,244</u>
	235,817	259,040
TANGIBLE CAPITAL ASSETS (note 6)	<u>48,742</u>	<u>34,603</u>
	<u>\$ 284,559</u>	<u>\$ 293,643</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 19,658	\$ 13,020
Deferred grant	19,500	5,000
Deferred revenue - prepaid rent	14,174	-
Current portion of loan payable (note 9)	<u>4,552</u>	<u>-</u>
	57,884	18,020
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (note 7)	-	40,000
LOAN PAYABLE (note 9)	<u>10,954</u>	<u>-</u>
	<u>68,838</u>	<u>58,020</u>
NET ASSETS		
Unrestricted - operating fund	182,485	201,020
Internally restricted - invested in tangible capital assets	<u>33,236</u>	<u>34,603</u>
	<u>215,721</u>	<u>235,623</u>
	<u>\$ 284,559</u>	<u>\$ 293,643</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

JERICO ROAD MINISTRIES
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u> (as restated - Note 2)
Revenue		
Rental income	\$ 213,104	\$ 239,527
Donations	283,322	236,594
Grant	43,075	12,000
Fundraising events	52,271	126,808
Government assistance (note 7)	-	20,000
Gain on sale of asset	<u>700</u>	<u>-</u>
	<u>592,472</u>	<u>634,929</u>
Expenses		
Rental	110,084	114,882
Operating costs	18,478	9,026
Utilities	40,204	32,265
Vehicle	5,772	1,317
Insurance	19,477	13,331
Fundraising	15,590	5,255
Office	18,524	7,571
Wages and benefits	308,942	361,840
Professional fees	53,984	16,296
Other	5,485	-
Amortization	<u>15,834</u>	<u>4,253</u>
	<u>612,374</u>	<u>566,036</u>
Excess of revenue over expenses		
(expenses over revenue)	<u>\$ (19,902)</u>	<u>\$ 68,893</u>

(See accompanying notes)

JERICO ROAD MINISTRIES
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	<u>Operating Fund</u>	<u>Invested in Tangible Capital Assets Fund</u>	<u>2022 Total</u>	<u>2021 Total</u> (as restated - Note 2)
Net assets, beginning of year	\$ 201,020	\$ 34,603	\$ 235,623	\$ 166,730
Excess of revenue over expenses (expenses over revenue)	(19,902)	-	(19,902)	68,893
Purchases of tangible capital assets	(29,930)	29,930	-	-
Less: tangible capital assets funded by loan payable	15,463	(15,463)	-	-
Amortization expense	<u>15,834</u>	<u>(15,834)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 182,485</u>	<u>\$ 33,236</u>	<u>\$ 215,721</u>	<u>\$ 235,623</u>

(See accompanying notes)

JERICO ROAD MINISTRIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u> (as restated - Note 2)
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ (19,902)	\$ 68,893
Adjustments for:		
Amortization of tangible capital assets	15,834	4,253
Forgivable portion of Canada Emergency Business Account Loan	<u>-</u>	<u>(20,000)</u>
	(4,068)	53,146
Changes in non-cash working capital balances:		
Accounts receivable	3,206	(7,105)
Prepaid expenses	(2,338)	(7,274)
Accounts payable and accrued liabilities	6,638	10,552
Deferred grant	14,500	5,000
Prepaid rent	<u>14,174</u>	<u>-</u>
	<u>32,112</u>	<u>54,319</u>
INVESTING ACTIVITIES		
Purchases of tangible capital assets	(29,930)	(29,398)
Less: acquired with loan payable (net of repayments in the year)	<u>15,463</u>	<u>-</u>
	<u>(14,467)</u>	<u>(29,398)</u>
FINANCING ACTIVITIES		
Proceeds from (repayment of) Canada Emergency Business Account Loan	<u>(40,000)</u>	<u>20,000</u>
INCREASE (DECREASE) IN CASH	(22,355)	44,921
CASH AT BEGINNING OF YEAR	<u>221,662</u>	<u>176,741</u>
CASH AT END OF YEAR	<u>\$ 199,307</u>	<u>\$ 221,662</u>

(See accompanying notes)

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. NATURE OF OPERATIONS

Jericho Road Ministries (the "Organization") provides safe, substance free and affordable housing for men living with addition and concurrent disorders. The Organization provides support to build networks, recover and set up sponsors for individuals recovering and they operate 4 homes with a total of 31 beds.

The Organization is a registered charity and is not taxable under Section 149(1)(f) of the Canadian Income Tax Act.

2. RESTATEMENT OF FINANCIAL STATEMENTS

During the year, the Organization discovered that the land and building at 10 Crerar, which was donated in the prior year, was not recorded at fair value at the time of gifting and that its fair value could not be reasonably determined in a cost effective manner. As such, management has elected not to record this donation. The 2021 financial statements previously presented were restated as follows:

	<u>As originally reported</u>	<u>Adjustment</u>	<u>As restated</u>
Assets			
Tangible capital assets	\$ 440,323	\$ (405,720)	\$ 34,603
Liabilities			
Deferred contributions for capital assets	\$ 405,720	\$ (405,720)	\$ -

The effect of the above to the statements of operations for the year ended December 31, 2021 is as follows:

	<u>As originally reported</u>	<u>Adjustment</u>	<u>As restated</u>
Total revenue	\$ 643,209	\$ (8,280)	\$ 634,929
Total expenses	<u>(574,316)</u>	<u>8,280</u>	<u>(566,036)</u>
Excess of revenue over expenses	\$ 68,893	\$ -	\$ 68,893

There is no material net impact on the cash flow statement or statement of changes in net assets based on this restatement.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Organization follows the deferral method of accounting for contributions including donations, grants, and fundraising events. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in the Operating Fund in accordance with the deferral method.

Rental income is recognized on a straight line basis over the term of the rental period.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

3. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Tangible capital assets and amortization

Tangible capital assets are initially recorded at cost. Amortization is provided at the following straight line rates:

Computers	- 3 years straight line
Trailer	- 5 years straight line
Toyota Sienna (2010)	- 5 years straight line
Dodge Caravan	- 5 years straight line
Furniture and Fixtures	- 5 years straight line

Contributed tangible capital assets are stated at the fair value at the time of contribution if the amount can be reasonably determined.

Expenditures are capitalized by the Organization if they are above \$1,000.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organization 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 revenue and expenses during the current period. Actual results could differ from those estimates. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Significant estimates include the collectibility of amounts receivable and the determination of significant accruals and in the determination of the useful life of the Organization's tangible capital assets.

Financial instruments

The Organization initially measure its financial assets and liabilities at fair value.

The Organization subsequently measures cash at fair value and all other financial assets and financial liabilities at amortized cost at the date of the statement of financial position.

Contributed services

Volunteers contribute many hours per year to assist the Organization in carrying out its mission. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Government assistance

The Canada Emergency Loan account (CEBA), a form of temporary government assistance introduced in response to the COVID-19 pandemic. The program was launched by the Government of Canada to enable companies to provide financing to qualifying small businesses and not-for-profit organizations to ease the financial strain experienced as a result of the COVID-19 pandemic.

The amount of the assistance received as recorded as revenue in the statement of operations and is further described in note 7.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

4. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at December 31, 2022.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk with respect to its cash and accounts receivable. The Organization's cash is held by a Canadian chartered bank and as a result management believes the risk of loss on this item is remote. The Organization collects online donations via an unrelated third-party as a means of broadening its channels of donations revenues. All of the accounts receivable are related to this third party and are considered to be receivable. As such no amounts have been allowed for doubtful accounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and the loan payable and manages this risk through its budgeting process.

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 is comprised of currency risk, interest rate risk, and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Organization's financial instruments are denominated in Canadian dollars and substantially all of the Organization's transactions are in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instruments or future cash flows will fluctuate due to changes in market interest rates.

The Organization's loan payable discussed in note 9 is at a fixed rate and it is therefore management's belief that the Organization is not exposed to interest rate risk.

ii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. As the Organization does not have financial instruments that are quoted in an active market, management does not believe the Organization is exposed to significant other price risk.

Changes in risk

There were no significant changes to the Organization's risk exposure from the prior year.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

5. PREPAID EXPENSES

Prepaid expenses consist of the following items:

	<u>2022</u>	<u>2021</u>
2089 Walkley Road prepaid rent	\$ 3,600	\$ 3,600
2173 Haig Drive prepaid rent	1,850	1,850
Prepaid software	852	-
Prepaid insurance	<u>18,280</u>	<u>16,794</u>
	<u>\$ 24,582</u>	<u>\$ 22,244</u>

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u> (as restated - Note 2)	<u>Accumulated amortization</u>
Toyota Sienna (2010)	\$ 8,100	\$ 4,860	\$ 8,100	\$ 5,387
Dodge Caravan	25,658	4,276	-	-
Computer	14,977	11,093	11,900	4,537
Trailer	3,650	3,650	3,650	3,268
Furniture and Fixtures	<u>37,444</u>	<u>17,208</u>	<u>36,249</u>	<u>12,104</u>
	89,829	<u>\$ 41,087</u>	59,899	<u>\$ 25,296</u>
Accumulated amortization	<u>41,087</u>		<u>25,296</u>	
	<u>\$ 48,742</u>		<u>\$ 34,603</u>	

7. GOVERNMENT ASSISTANCE

In regards to the Canada Emergency Business Account (CEBA) Loan, prior to the current year, the Organization received \$60,000 under the program. The loan of \$40,000 was paid in full and the \$20,000 that was recognized as revenue in the previous year was fully forgiven.

8. COMMITMENTS

Future minimum rental payments required under operating leases for premises are as follows:

2023	\$ 53,700
2024	22,200
2025	22,200
2026	22,200
2027	4,894

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2022

9. LOAN PAYABLE

Loan payable consists of the following:

	<u>2022</u>	<u>2021</u>
RBC loan payable - with blended bi-weekly payments of \$211 including interest at 6.99%; due February 2026 secured by vehicle with a net book value of \$21,382.	\$ 15,506	\$ -
Less: current portion	<u>(4,552)</u>	<u>-</u>
	<u>\$ 10,954</u>	<u>\$ -</u>

Principal payments for the next four years are estimated below:

2023	\$ 4,552
2024	4,882
2025	5,235
2026	837

10. COMPARATIVE FIGURES

Certain comparative figures have been restated (note 2) or reclassified to conform with the presentation adopted in the current year.