

FINANCIAL STATEMENTS
For
JERICO ROAD MINISTRIES
For year ended
DECEMBER 31, 2021

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, 2021, 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, 2021 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 revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 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 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.

Other Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements which describes that Jericho Road Ministries adopted Canadian accounting standards for not-for-profit organizations 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 related disclosures. We were not engaged to report on the restated 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 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 18, 2022.

JERICO ROAD MINISTRIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	<u>Dec. 31,</u> <u>2021</u>	Dec. 31, <u>2020</u> (unaudited)	Jan. 1, <u>2020</u> (unaudited)
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 221,662	\$ 176,741	\$ 24,338
Accounts receivable	15,134	8,029	5,499
Prepaid expenses (note 5)	<u>22,244</u>	<u>14,970</u>	<u>14,619</u>
	259,040	199,740	44,456
TANGIBLE CAPITAL ASSETS (note 7)	<u>440,323</u>	<u>9,458</u>	<u>8,309</u>
	<u>\$ 699,363</u>	<u>\$ 209,198</u>	<u>\$ 52,765</u>
<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 13,020	\$ 2,468	\$ 750
Deferred grant	<u>5,000</u>	<u>-</u>	<u>-</u>
	18,020	2,468	750
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (note 8)	40,000	40,000	-
DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS (note 6)	<u>405,720</u>	<u>-</u>	<u>-</u>
	<u>463,740</u>	<u>42,468</u>	<u>750</u>
FUND BALANCES			
Unrestricted - operating fund	201,020	157,272	43,706
Internally restricted - invested in tangible capital assets	<u>34,603</u>	<u>9,458</u>	<u>8,309</u>
	<u>235,623</u>	<u>166,730</u>	<u>52,015</u>
	<u>\$ 699,363</u>	<u>\$ 209,198</u>	<u>\$ 52,765</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

JERICO ROAD MINISTRIES
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u> (unaudited)
Revenue		
Rental income	\$ 239,527	\$ 238,408
Donations	236,594	164,921
Grant	12,000	14,989
Fundraising events	126,808	126,623
Other income	-	3,981
Government assistance (note 8)	20,000	103,271
Amortization of deferred contributions for tangible capital assets (note 6)	<u>8,280</u>	<u>-</u>
	<u>643,209</u>	<u>652,192</u>
Expenses		
Rental expenses	114,882	113,232
Operating costs	9,026	18,344
Utilities	32,265	37,091
Vehicle expenses	1,317	5,827
Insurance costs	13,331	12,402
Fundraising expenses	5,255	1,374
Office expenses	7,571	45,102
Wages and benefits	361,840	315,291
Professional fees	16,296	1,074
Other expenses	-	1,044
Amortization	<u>12,533</u>	<u>3,741</u>
	<u>574,316</u>	<u>554,522</u>
Excess of revenue over expenses	<u>\$ 68,893</u>	<u>\$ 97,670</u>

(See accompanying notes)

JERICHO ROAD MINISTRIES
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	<u>Operating Fund</u>	<u>Invested in Tangible Capital Assets Fund</u>	<u>2021 Total</u>	<u>2020 Total</u> (unaudited)
Fund balances, beginning of year	\$ 157,272	\$ 9,458	\$ 166,730	\$ 69,060
Excess of revenue over expenses	68,893	-	68,893	97,670
Purchases of tangible capital assets	(29,398)	29,398	-	-
Amortization of deferred contribution	(8,280)	8,280	-	-
Amortization expense	<u>12,533</u>	<u>(12,533)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 201,020</u>	<u>\$ 34,603</u>	<u>\$ 235,623</u>	<u>\$ 166,730</u>

(See accompanying notes)

JERICO ROAD MINISTRIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u> (unaudited)
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 68,893	\$ 97,670
Adjustments for:		
Amortization of tangible capital assets	12,533	3,741
Amortization of deferred contributions for tangible capital assets	(8,280)	-
Forgivable portion of Canada Emergency Business Account Loan	<u>(20,000)</u>	<u>-</u>
	53,146	101,411
Changes in non-cash working capital balances:		
Accounts receivable	(7,105)	(794)
Prepaid expenses	(7,274)	2,279
Accounts payable and accrued liabilities	10,552	1,998
Deferred grant	<u>5,000</u>	<u>-</u>
	<u>54,319</u>	<u>104,894</u>
INVESTING ACTIVITIES		
Purchases of tangible capital assets	(29,398)	(1,149)
Disposition of tangible capital assets	<u>-</u>	<u>8,658</u>
	<u>(29,398)</u>	<u>7,509</u>
FINANCING ACTIVITIES		
Proceeds from Canada Emergency Business Account Loan	<u>20,000</u>	<u>40,000</u>
INCREASE IN CASH	44,921	152,403
CASH AT BEGINNING OF YEAR	<u>176,741</u>	<u>24,338</u>
CASH AT END OF YEAR	<u>\$ 221,662</u>	<u>\$ 176,741</u>

(See accompanying notes)

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT-ORGANIZATIONS

Effective January 1, 2020, the Organization adopted the new accounting framework Canadian standards for not-for-profit organizations (ASNFPO). These are the Organization's first financial statements prepared in accordance with ASNFPO and these standards have been applied retrospectively. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2021, the comparative information presented in the financial statements for the year ended December 31, 2020 and in the preparation of an opening ASNFPO statement of financial position as at January 1, 2020 (the Organization's date of transition).

Financial statements for the year ended December 31, 2020 were previously issued but did not follow any specific accounting framework. The adoption of ASNFPO resulted in adjustments to previously reported assets, liabilities, fund balances, net revenue, and cash flows of the Organization. Accordingly the effect of adopting ASNFPO retrospectively to the opening statement of financial position as at January 1, 2020 is as follows:

	<u>Note</u>	<u>As Previously Stated</u>	<u>Transitional Adjustment</u>	<u>Jan. 1, 2020 ASNFPO</u>
Assets				
Cash	(a)	\$ 43,653	\$ (19,315)	\$ 24,338
Accounts receivable		5,499	-	5,499
Prepaid expenses	(b)	12,340	2,279	14,619
Tangible capital assets		8,309	-	8,309
		<u>\$ 69,801</u>	<u>\$ (17,036)</u>	<u>\$ 52,765</u>
Liabilities				
Accounts payable and accrued liabilities		\$ 750	\$ -	\$ 750
Fund balances				
Unrestricted - operating fund	(c)	69,051	(25,345)	43,706
Invested in tangible capital assets	(c)	-	8,309	8,309
		<u>69,051</u>	<u>(17,036)</u>	<u>52,015</u>
		<u>\$ 69,801</u>	<u>\$ (17,036)</u>	<u>\$ 52,765</u>

The effect of adopting ASNFPO retrospectively to the statements of operations and changes in net assets for the year ended December 31, 2020 is as follows:

	<u>Note</u>	<u>As Previously Stated</u>	<u>Transitional Adjustment</u>	<u>Dec. 31, 2020 ASNFPO</u>
Revenue	(d)	\$ 544,672	\$ 107,520	\$ 652,192
Expenses	(d)	<u>(412,801)</u>	<u>(141,721)</u>	<u>(554,522)</u>
Net revenue		<u>\$ 131,871</u>	<u>\$ (34,201)</u>	<u>\$ 97,670</u>

(a) Transitional adjustments for recording outstanding cheques as part of adopting accrual basis of accounting to align with ASNFPO.

(b) Transitional adjustments for capturing additional prepaid expenses within accrual basis of accounting for ASNFPO.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2021

2. **ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT-ORGANIZATIONS - Cont'd.**

- (c) Transitional adjustments for fund balances as a net result of the adjustments above for cash and prepaid expenses as well as changes to the presentation of funds to include the addition of invested in tangible capital assets.
- (d) Transitional adjustments for expenses and revenue at the date of transition includes items such as prepaid expenses that require adjustment to align with ASNFPPO and accrual basis of accounting.

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 for not-for-profit organizations. 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. Rental income is recognized on a straight line basis over the term of the rental period.

Tangible capital assets and amortization

Tangible capital assets are stated at acquisition cost. Amortization is provided at the following annual rates:

Computers	- 30% declining balance
Trailer	- 30% declining balance
Toyota Sienna (2010)	- 30% declining balance
Furniture and Fixtures	- 20% declining balance
Building - 10 Crerar	- 4% declining balance
Building and Fixtures	- 4% declining balance

Contributed tangible capital assets are stated at the fair value at the time of contribution.

Expenditures are capitalized by the Organization if they are above \$1,000 and the half year rule is used in the year of acquisition.

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.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 Wage Subsidy (CEWS), a form of temporary government assistance introduced in response to the COVID-19 pandemic, was a subsidy initiated by the federal government to enable employers to re-hire workers previously laid off, to retain those who were already on payroll.

The subsidies have been recorded in the period to which they relate as long as the amount of the subsidy could be reasonably estimated at that point in time. The amount of the assistance received as recorded as revenue in the statement of operations and is further described in note 8.

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, 2021.

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 Canada Emergency Business Account Loan 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.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2021

4. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk - Cont'd.

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 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.

5. **PREPAID EXPENSES**

Prepaid expenses consist of the following items:-

	<u>2021</u>	<u>2020</u>
2089 Walkley Road prepaid rent	\$ 3,600	\$ 3,600
2173 Haig Drive prepaid rent	1,850	1,850
Prepaid insurance	<u>16,794</u>	<u>9,520</u>
	<u>\$ 22,244</u>	<u>\$ 14,970</u>

6. **DEFERRED CONTRIBUTIONS FOR TANGIBLE CAPITAL ASSETS**

Deferred contributions for tangible capital assets is comprised of the following :

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ -	\$ -
Amounts received in the year	414,000	-
Amortization of deferred contributions	<u>(8,280)</u>	<u>-</u>
Balance, end of year	<u>\$ 405,720</u>	<u>\$ -</u>

During the year the Organization was donated a building located at 10 Crerar Avenue for use in its ongoing operations. This building and corresponding amount of the contribution have been recorded at the building's estimated fair value (based on the municipal assessment) at the time of donation of \$414,000. The full amount of this contribution has been deferred in the year and is be amortized over the same period as the building.

JERICO ROAD MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2021

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Toyota Sienna (2010)	\$ 8,100	\$ 5,387	\$ 8,100	\$ 4,225
Computer	11,900	4,537	6,403	2,559
Trailer	3,650	3,268	3,650	3,105
Furniture and Fixtures	15,249	11,684	12,349	11,155
Building (10 Crerar)	414,000	8,280	-	-
Building and Fixtures	21,000	420	-	-
	473,899	\$ 33,576	30,502	\$ 21,044
Accumulated amortization	33,576		21,044	
	\$ 440,323		\$ 9,458	

8. GOVERNMENT ASSISTANCE

Included in government assistance on the statement of operations is \$Nil (2020 - \$103,271) related to the federal wage subsidy due to the COVID-19 pandemic.

In regards to the Canada Emergency Business Account (CEBA) Loan, the Organization received an additional \$20,000 during the 2021 fiscal year (2020 - \$40,000). The program was launched by the Government of Canada 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 loan was provided by Toronto Dominion, is non-interest bearing, and is guaranteed by the Government of Canada. Additional terms associated with CEBA are as follows: Repayment of principal is not required before December 31, 2023 and loan payments can be made at any time without fees or penalties. If \$40,000 is fully repaid by December 31, 2023, the remaining \$20,000 balance will be forgiven. Any outstanding amount of the loan payable after December 31, 2023 will be converted into a 2 year term loan bearing interest at 5% per annum. The \$20,000 forgivable portion of the loan that the Organization is entitled to has been recognized in government assistance on the statement of operations.

The loan payable must be repaid in full by December 31, 2025.

9. COMMITMENTS

Future minimum rental payments required under operating leases for premises that have initial lease terms in excess of one year at December 31, 2021 are as follows:

2022	\$ 53,700
2023	22,200
2024	22,200
2025	22,200
2026	22,200

10. COMPARATIVE FIGURES

Comparative figures were prepared without audit and have been adjusted and reclassified where necessary to conform to the presentation adopted in the current year.