

JERICO ROAD MINISTRIES
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Independent Auditors' Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Members of:
Jericho 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, 2023, and the statement of operations, statement of changes in net assets and cash flows statement 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 matters 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 Jericho Road Ministries as at December 31, 2023, and the results of its operations and 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, Jericho Road Ministries derives revenue from donations, fundraising activities, and rental revenues, 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 Jericho Road Ministries. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising revenue, rental revenue, total revenue, excess of revenues over expenses, cash flows from operations and net assets for both December 31, 2023 and the previous year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' 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 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 qualified audit opinion.

Other Matter

The financial statements of Jericho Road Ministries for the year ended December 31, 2022 were audited by another auditor who expressed a qualified opinion on these financial statements on March 23, 2023 for reasons described in the Basis for Qualified Opinion section.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement 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 relating 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.

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

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Chartered Professional Accountants

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Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of 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 these financial statements. As part of an audit in accordance with Canadian generally accepted audit 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 controls.
- 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 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 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 matter 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.



Frouin Group Professional Corporation
Ottawa Ontario
May 23, 2024

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JERICO ROAD MINISTRIES
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022 (restated - note 8)
ASSETS		
CURRENT ASSETS		
Cash	\$ 176,273	\$ 199,307
Accounts receivable	23,450	11,928
Prepaid expenses (note 3)	<u>25,629</u>	<u>24,582</u>
	225,352	235,817
TANGIBLE CAPITAL ASSETS (notes 2b and 4)	<u>34,444</u>	<u>48,743</u>
TOTAL ASSETS	<u>\$ 259,796</u>	<u>\$ 284,560</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 17,939	\$ 19,658
Deferred grants	3,091	19,500
Deferred capital contributions	12,799	0
Deferred revenue - prepaid rent	8,633	14,174
Current portion of loan payable (note 6)	<u>4,552</u>	<u>4,552</u>
	47,014	57,884
LOAN PAYABLE (note 6)	<u>6,402</u>	<u>10,954</u>
TOTAL LIABILITIES	<u>53,416</u>	<u>68,838</u>
NET ASSETS		
Unrestricted - operating fund	\$ 195,689	182,485
Internally restricted - invested in tangible capital assets	<u>10,691</u>	<u>33,237</u>
	<u>206,380</u>	<u>215,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 259,796</u>	<u>\$ 284,560</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

(See accompanying Notes to Financial Statements)

JERICO ROAD MINISTRIES
AUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
REVENUES		
Rental income	\$ 265,539	\$ 213,104
Donations	216,788	283,322
Grants	55,358	43,075
Fundraising events	118,392	52,271
Gain on sale of asset	0	700
Amortization on deferred capital contributions	<u>1,322</u>	<u>0</u>
	<u>657,399</u>	<u>592,472</u>
EXPENSES		
Rental	111,724	110,084
Operating costs	19,031	18,478
Utilities	36,527	40,204
Vehicle	5,188	5,772
Insurance	20,696	19,477
Fundraising	22,800	15,590
Office	19,877	18,524
Wages and benefits	353,427	308,942
Professional fees	58,118	53,984
Other	933	5,485
Amortization (note 2b)	<u>18,420</u>	<u>15,834</u>
	<u>666,741</u>	<u>612,374</u>
EXCESS OF EXPENSES OVER REVENUES	\$ <u>(9,342)</u>	\$ <u>(19,902)</u>

(See accompanying Notes to Financial Statements)

JERICO ROAD MINISTRIES
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

			Total	
	Operating Fund	Invested in Tangible Capital Assets Fund	2023	2022
				<small>(restated - note 8)</small>
Net assets, beginning of year, as previously stated	\$ 182,485	\$ 33,236	215,721	\$ 235,623
Prior year adjustment (note 8)	0	1	1	1
Net assets, beginning of year, restated	182,485	33,237	215,722	235,624
Excess of expenses over revenues	(9,342)	0	(9,342)	(19,902)
Purchase of tangible capital assets	(4,121)	4,121	0	0
Repayment of loan for tangible capital assets	(4,552)	4,552	0	0
Capital grants received	14,121	(14,121)	0	0
Capital grants recognized to income	(1,322)	1,322	0	0
Amortization expense	18,420	(18,420)	0	0
Net assets, end of year	<u>\$ 195,689</u>	<u>10,691</u>	<u>\$ 206,380</u>	<u>\$ 215,722</u>

(See accompanying Notes to Financial Statements)

JERICO ROAD MINISTRIES
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Excess of expenses over revenues	\$ (9,342)	\$ (19,902)
Add: Amortization	<u>18,420</u>	<u>15,834</u>
	9,078	(4,068)
Changes in non-cash working capital balances:		
Accounts receivable	(11,521)	3,206
Prepaid expenses	(1,046)	(2,338)
Accounts payable and accrued liabilities	(1,721)	6,638
Deferred grant	(16,409)	14,500
Deferred capital contributions	12,799	0
Prepaid rent	<u>(5,541)</u>	<u>14,174</u>
	<u>(14,361)</u>	<u>32,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,121)	(29,930)
Less: acquired with loan payable (net of repayments in the year)	<u>(4,552)</u>	<u>15,463</u>
	<u>(8,673)</u>	<u>(14,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Canada Emergency Business Account Loan	<u>0</u>	<u>(40,000)</u>
NET CHANGE IN CASH	(23,034)	(22,355)
CASH, beginning of year	<u>199,307</u>	<u>221,662</u>
CASH, end of year	\$ <u>176,273</u>	\$ <u>199,307</u>
REPRESENTED BY:		
Cash	\$ <u>176,273</u>	\$ <u>199,307</u>

(See accompanying Notes to Financial Statements)

JERICO ROAD MINISTRIES
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION

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. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

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

b. Tangible capital assets

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

<u>Assets</u>	<u>Basis</u>
Building	20 years straight line
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.

c. 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.

Grants for capital asset purchases are deferred and recognized in revenue on the same basis as the underlying asset that they were used to purchase.

JERICO ROAD MINISTRIES
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Contributions for capital assets

All contributions relating to capital assets are deferred and amortized into income on the same basis as the amortization of the asset.

e. Contributions in-kind

Volunteers contribute many hours each 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.

Donations in-kind for auction and various items which are tax-receipted by the Organization are not reflected in these statements. During the year, the Organization issued \$60,474 in donation receipts for items donated for their auction. These items were valued at their fair value and would not have been purchased by the Organization in regular operations.

f. Use of estimates

The preparation of financial statements in accordance 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 revenues and expenditures during the current period. Actual results could differ from management's best estimates as additional information becomes available in the future. 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.

g. Financial instruments

The Organization initially measures 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 AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. PREPAID EXPENSES

Prepaid expenses consist of the following items:

	2023	2022
2089 Walkley Road prepaid rent	\$ 3,600	\$ 3,600
2173 Haig Drive prepaid rent	1,850	1,850
Prepaid software	852	852
Prepaid insurance	<u>19,327</u>	<u>18,280</u>
	<u>\$ 25,629</u>	<u>\$ 24,582</u>

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2023	Net Book Value 2022
Building	\$ 1	\$ 0	\$ 1	\$ 1
Toyota Sienna (2010)	8,100	(6,480)	1,620	3,240
Dodge Caravan	25,658	(9,408)	16,250	21,382
Computer	19,097	(15,271)	3,826	3,884
Furniture and fixtures	<u>37,444</u>	<u>(24,697)</u>	<u>12,747</u>	<u>20,236</u>
TOTAL	<u>\$ 90,300</u>	<u>\$ (55,856)</u>	<u>\$ 34,444</u>	<u>\$ 48,743</u>

In 2021, the Organization purchased a building at 10 Crerar Road in Ottawa for \$1 from Welcome Christian Housing Corporation, a not-for-profit organization with which Jericho Road Ministries held a close working relationship. As Welcome Christian Housing Corporation was winding up, their Board decided to sell the building to Jericho Road Ministries for the nominal amount in order for it to be used in similar operations. No fair value had been determined at the time of the transaction and it has been recorded on the financial statements at its nominal amount.

5. LEASE COMMITMENTS

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

2024	\$ 28,290
2025	\$ 29,422
2026	\$ 30,598
2027	\$ 5,304

JERICHO ROAD MINISTRIES

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

6. LOAN PAYABLE

	2023	2022
RBC loan payable with blended bi-weekly payments of \$211 including interest at 6.99%; due February 2026 and secured by a vehicle.	\$ 10,954	\$ 15,506
Less: current portion	<u>(4,552)</u>	<u>(4,552)</u>
	<u>\$ 6,402</u>	<u>\$ 10,954</u>

Principal payments for the next three years are estimated below:

2024	\$ 4,552
2025	\$ 4,882
2026	\$ 1,520

7. FINANCIAL RISK MANAGEMENT POLICY

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2023.

a) 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 receivables are related to this third party and are considered to be receivable.

b) 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.

JERICHO ROAD MINISTRIES
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

7. FINANCIAL RISK MANAGEMENT POLICY (continued)

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 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 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 instrument or future cash flows will fluctuate due to changes in market interest rates.

The Organization's loan payable discussed in note 6 is at a fixed rate and it is therefore management's belief that the Organization is not exposed to interest rate risk.

iii) 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.

d) Changes in risk

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

8. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record the property at 10 Crerar Drive in Ottawa, for which the Organization purchased from another charity for a nominal amount as described in note 4. The adjustment resulted in an increase in tangible capital assets and net assets for \$1.