

HARVEST HOUSE ATLANTIC INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2024

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of
HARVEST HOUSE ATLANTIC INC.

We have reviewed the accompanying financial statements of Harvest House Atlantic Inc. (the Organization) that comprise the statement of financial position as at March 31, 2024 and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the organization, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, including in-kind food donations, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Furthermore, due to the nature of the Organization's records and the limited evidence available regarding in-kind food donations and inventory movements during the year, we are unable to verify the completeness and accuracy of the inventory balance and related transactions as of March 31, 2024, and for the year then ended. Accordingly, the evidence obtained of food donations – in-kind revenue and inventory was limited to the amounts recorded in the records of the Organization.

Therefore, we were unable to determine whether any adjustments might be necessary to food donations – in-kind revenue, inventory, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2024, current assets as at March 31, 2024, and net assets as at April 1, 2023 and March 31, 2024.

Conclusion

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Harvest House Atlantic Inc. 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.

Other Matter

The financial statements for the three-month period ended March 31, 2023, and the financial statements for the twelve-month period ended December 31, 2022, were reviewed by another practitioner who expressed unmodified conclusions on those financial statements in their reports dated May 9, 2024, and September 21, 2023, respectively.

FREEMAN & LOURENCO LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Freeman & Lourenco LLP

Licensed Public Accountants
December 19, 2024
Oshawa, Ontario

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024

	<u>2024</u>	<u>March 31 2023</u> (Note 10)	<u>December 31 2022</u> (Note 10)
<u>ASSETS</u>			
Current			
Cash (Note 3)	\$ 316,073	\$ 263,174	\$ 190,712
Restricted Cash (Note 3)	330,155	144,650	144,650
Accounts Receivable	115,847	45,625	37,580
Due from Government Agencies	29,162	-	9,559
Prepaid Expenses	14,264	-	770
	<u>805,501</u>	<u>453,449</u>	<u>383,271</u>
Capital Assets (Note 4)	<u>2,490,174</u>	<u>2,601,333</u>	<u>2,630,720</u>
	<u>\$ 3,295,675</u>	<u>\$ 3,054,782</u>	<u>\$ 3,013,991</u>
<u>LIABILITIES</u>			
Current			
Accounts Payable and Accrued Charges	\$ 261,661	\$ 70,073	\$ 69,785
Due to Government Agencies	-	2,636	-
Deferred Revenue (Note 7)	330,155	144,650	144,650
Current Portion of Long-Term Debt (Note 6)	181,135	338,505	352,008
	<u>772,951</u>	<u>555,864</u>	<u>566,443</u>
Long-Term Debt (Note 6)	<u>698,153</u>	<u>700,431</u>	<u>731,824</u>
	1,471,104	1,256,295	1,298,267
<u>NET ASSETS</u>	<u>1,824,571</u>	<u>1,798,487</u>	<u>1,715,724</u>
	<u>\$ 3,295,675</u>	<u>\$ 3,054,782</u>	<u>\$ 3,013,991</u>

Approved on Behalf of the Board:

Signature *Date*

Signature *Date*

See accompanying Notes to the Financial Statements

**HARVEST HOUSE ATLANTIC INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2024**

	<u>2024</u>	<u>For 3 months ended March 31, 2023</u>	<u>For 12 months ended December 31 2022</u>
Net Assets, beginning of period	\$ 1,798,487	\$ 1,715,724	\$ 1,593,601
Excess of Revenues over Expenses for the period	<u>26,084</u>	<u>82,763</u>	<u>122,123</u>
Net Assets, end of period	<u>\$ 1,824,571</u>	<u>\$ 1,798,487</u>	<u>\$ 1,715,724</u>

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	For 3 months ended March 31, 2023 (Note 10)	For 12 months ended December 31, 2022 (Note 10)
Revenues			
Donations and Fundraising	\$ 1,513,741	\$ 283,204	\$ 1,552,113
Food Donations - in-kind	657,547	1,581	-
Government Funding	1,992,556	372,415	779,493
Rental and Program Fees	238,062	59,461	292,872
Rising Tide	78,000	19,940	68,427
Loan Forgiveness	46,516	26,056	46,516
Other	8,144	1,353	4,668
	<u>4,534,566</u>	<u>764,010</u>	<u>2,744,089</u>
Expenses			
Administration	104,185	19,925	64,301
Advertising and Promotion	10,671	2,240	4,532
Amortization	122,241	29,386	126,357
Bad Debts	-	2,987	3,377
Consulting Fees	36,628	-	20,302
Donations and Benevolence	-	725	2,813
Fundraising Expenses	61,786	8,652	34,493
Groceries - in-kind	657,547	-	-
Insurance	45,270	11,429	43,787
Interest and Bank Charges	9,557	2,249	12,504
Interest on Long-Term Debt	30,994	6,061	28,079
Legal and Accounting Fees	37,914	782	7,664
Programs and Events	95,678	251	1,550
Property Taxes	-	-	2,723
Rent	26,658	-	3,850
Repairs and Maintenance	151,535	26,060	97,609
Supplies	76,280	43,658	118,050
Telephone	36,080	4,469	24,790
Utilities	100,107	29,564	135,673
Vehicle and Travel	34,569	6,753	21,872
Wages and Benefits	2,870,782	486,056	1,866,494
	<u>4,508,482</u>	<u>681,247</u>	<u>2,620,820</u>
Excess of Revenues over Expenses from Operations	26,084	82,763	123,269
Other Expense			
Loss on Sale of Capital Assets	-	-	(1,146)
Excess of Revenues over Expenses for the period	<u>\$ 26,084</u>	<u>\$ 82,763</u>	<u>\$ 122,123</u>

See accompanying Notes to the Financial Statements

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	For 3 months ended March 31, 2023	For 12 months ended December 31, 2022
Cash Provided by (Used in):			
Operating Activities			
Excess of Revenues over Expenses for the period	\$ 26,084	\$ 82,763	\$ 122,123
Adjustments for non-cash items:			
Amortization	122,241	29,386	126,357
Loan Forgiveness	(46,516)	(26,056)	(46,516)
Loss on Sale of Capital Assets	-	-	1,146
	<u>101,809</u>	<u>86,093</u>	<u>203,110</u>
Net Change in Non-Cash Working Capital Items:			
(Increase) Decrease in Accounts Receivable	(70,222)	(8,045)	(5,309)
(Increase) Decrease in Prepaid Expenses	(14,264)	770	-
Increase (Decrease) in Accounts Payable and Accrued Charges	191,588	289	(14,986)
Increase (Decrease) in Due from / to Government Agencies	(31,798)	12,195	(20,640)
Increase (Decrease) in Deferred Revenue	185,505	-	(73,824)
	<u>362,618</u>	<u>91,302</u>	<u>88,351</u>
Investing Activities			
Purchase of Capital Assets	(11,082)	-	(34,947)
Proceeds on Disposal of Capital Assets	-	-	1
	<u>(11,082)</u>	<u>-</u>	<u>(34,946)</u>
Finance Activities			
Repayment of Long-term Debt	(113,132)	(18,840)	(71,528)
Increase (Decrease) in Cash	238,404	72,462	(18,123)
Cash, Beginning of Year	407,824	335,362	353,485
Cash, End of Year	<u>\$ 646,228</u>	<u>\$ 407,824</u>	<u>\$ 335,362</u>
Cash, End of year comprised of:			
Cash (Note 3)	316,073	263,174	190,712
Restricted Cash (Note 3)	330,155	144,650	144,650
	<u>\$ 646,228</u>	<u>\$ 407,824</u>	<u>\$ 335,362</u>

See accompanying Notes to the Financial Statements

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

1. Nature of Business

Harvest House Atlantic Inc. is a not-for-profit organization based in Moncton, NB and is incorporated under the laws of the Province of New Brunswick. The organization exists to meet the needs of people who are lost, lonely, addicted and hurting. Services provided by Harvest House Atlantic Inc. include an emergency homeless shelter, Step-Up Housing Program, and an addiction recovery center. The organization is a registered charity under the Income Tax Act and as such is exempt from income tax.

2. Change in Fiscal Year-End and Comparative Information

Starting with the fiscal year ended March 31, 2023, the Organization changed its fiscal year-end from December 31 to March 31. Consequently, the current financial statements cover the 12-month period from April 1, 2023, to March 31, 2024. The comparative figures presented are for the following periods:

Three months ended March 31, 2023: Reflecting the transitional period following the change in fiscal year-end.

Twelve months ended December 31, 2022: Representing the previous fiscal year under the former reporting period.

Due to the change in fiscal year-end, the comparative figures correspond to periods of differing lengths and are not aligned with the current fiscal year's reporting period. As a result, these comparative figures may not be entirely comparable to the current year's financial information. Users of these financial statements should exercise caution when comparing amounts across these periods.

3. Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO); accordingly, these financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the following significant accounting policies.

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3. Significant Accounting Policies (cont'd)

(b) Revenue Recognition

The organization follows the deferral method of accounting for contributions, which include donations, government funding, and grants. Contributions of property and equipment are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related property and equipment.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Endowment contributions are recognized as direct increases in net assets.

Fundraising revenues are reported as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. In-kind donations are recorded at the fair market value in the year in which it was received.

Rental and program fees, Rising Tide fees, loan forgiveness, and other revenue are recognized as earned.

(c) Donated Goods and Services

Donated goods and services are recorded at fair value when fair value can be reasonably estimated.

(d) Cash

Cash consists of bank deposits and petty cash. Restricted cash consists of bank deposits and near-cash interest bearing savings deposits.

(e) Capital Assets

Capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Buildings	4% diminishing balance
Vehicles	3 years straight-line
Paving	8% diminishing balance
Furniture, Fixtures and Equipment	20-50% diminishing balance

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3. Significant Accounting Policies (cont'd)

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The principal estimates used in the preparation of these financial statements include the valuation of investments and the determination of accrued charges. These estimates are reviewed periodically and adjustments made, as appropriate, in the statement of operations and changes in fund balances in the year they become known.

(g) Financial Instruments Measurement

The organization initially measures its financial assets and financial liabilities originated or exchanged in arm's-length transactions at fair value.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. When it does, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have any repayment terms, cost is determined using the consideration transferred or received by the organization in the transaction.

The organization subsequently measures all its financial assets and financial liabilities at cost/amortized cost except for investments in equity instruments, which it measures at fair value. Changes in fair value are recognized in the statement of operations and changes in fund balances.

Transaction costs related to financial instruments subsequently measured at fair value are recognized as expenses in the statement of operations and changes in fund balances in the year they are incurred. The carrying amount of financial instruments subsequently measured at cost/amortized cost is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

Financial assets measured at cost/amortized cost include cash, restricted cash and accounts receivable at a total carrying value of \$762,075 as at March 31, 2024 (March 31, 2023 - \$453,449, and December 31, 2022 - \$372,942).

Financial liabilities measured at cost/amortized cost include accounts payable and accrued charges, current and long-term debt at a total carrying value of \$1,140,949 as at March 31, 2024 (March 31, 2023 - \$1,109,009, and December 31, 2022 - \$1,153,617).

The organization has not designated any financial asset or financial liability to be measured at fair value.

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3. Significant Accounting Policies (cont'd)

(h) Financial Instrument Risks

Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency, market, liquidity or credit risks arising from these financial instruments.

(i) Impairment

For financial assets measured at cost/amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

4. Capital Assets:

	2024	2024	March 31,	Dec 31,
	Cost	Accumulated Amortization	2023	2022
			Net Book Value	Net Book Value
Land	\$ 426,194	\$ -	\$ 426,194	\$ 426,194
Buildings	2,787,222	786,334	2,000,888	2,104,802
Vehicles	64,417	56,857	7,560	33,809
Paving	15,624	10,217	5,407	5,994
Furniture, fixtures and equipment	152,606	102,481	50,125	59,921
	<u>\$ 3,446,063</u>	<u>\$ 955,889</u>	<u>\$ 2,490,174</u>	<u>\$ 2,601,333</u>
				<u>\$ 2,630,720</u>

5. Bank Indebtedness

The organization has a line of credit with Royal Bank of Canada (RBC) with a limit of \$200,000 that bears interest at RBC's prime rate plus 1.32%. At year end, no balance was utilized. A general security agreement covering all assets of the organization has been pledged as security.

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

6. Long-Term Debt

	2024	March 31, 2023	Dec 31, 2022
(a) Loan payable to Royal Bank of Canada repayable in monthly payments of \$4,182 including interest. The loan is secured by properties on High Street. The loan matured in September 2023 and was subsequently renewed with the new maturity date set for September 2025 at an interest rate of 6.97% per annum.	\$ 136,566	\$ 176,530	\$ 186,618
(b) New Brunswick Housing Corporation loan bearing interest at 3% per annum. The interest and principal are forgivable subsequent to the final advance that was received in 2020 provided that the building at 166-168 High Street, Moncton, NB is rented to tenants with income below the Core Need Income Thresholds established by the mortgagee. The loan is secured by property at 166-168 High Street with a net book value of \$234,178. Forgiveness period ends in August 2032 and occurs evenly during the twelve year forgiveness period.	116,000	130,500	145,000
(c) Loan payable to Royal Bank of Canada repayable in monthly payments of \$989 including interest. The loan is secured by properties on High Street. The loan matured in September 2023 and was renewed at an interest rate of 7.11% per annum, with the new maturity date set for September 2024.	41,629	50,518	52,776
(d) Loan payable to Royal Bank of Canada bearing interest at 3.2% per annum, repayable in monthly payments of \$2,181 including interest. The loan is secured by property at 108 High Street with a net book value of \$454,256. The loan matures in May 2026.	415,108	427,305	430,892
(e) Loan payable to Royal Bank of Canada bearing interest at 3.2% per annum, repayable in monthly payments of \$545 including interest. The loan is secured by property at 110-112 High Street with a net book value of \$90,703. The loan matures in May 2026.	103,433	106,946	107,206

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

6. Long-Term Debt (cont'd)

(f) Loan payable to Royal Bank of Canada bearing interest at 4.31% per annum, repayable in monthly payments of \$509 including interest. The loan is secured by property at 157 Dominion St. and 221 Park St. with a net book value of \$72,657. The loan matures in December 2024.	55,006	58,152	59,478
(g) New Brunswick Housing Corporation loan bearing interest at 2.7% per annum. The interest and principal are forgivable subsequent to the final advance that was received in 2018 provided that the building at 117-119 Gordon Street, Moncton, NB is rented to tenants with income below the Core Need Income Thresholds established by the mortgagee. The loan is secured by property on Gordon Street with a net book value of \$120,950. The loan matures and forgiveness period ends in 2025. The forgiveness occurs evenly during the seven year forgiveness period.	11,546	23,112	34,668
(h) Loan payable to Royal Bank of Canada bearing interest at 4.77% per annum repayable in monthly payments of \$310 including interest. The loan was secured by a property at 147-149 Dominion Street The loan matured in May 2023 and was repaid in full at that time.	-	15,413	16,734
(i) Saint John Human Development Council loan. The loan has been fully forgiven as of December 31, 2023.	-	20,460	20,460
(j) Canada Emergency Business Account (CEBA) term loan payable to Royal Bank of Canada. The loan is without interest until Dec 31 2023. The loan was repaid on Dec 4 2023.	-	30,000	30,000
	\$ 879,288	\$ 1,038,936	\$ 1,083,832
Less Current Portion	181,135	338,505	352,008
Long-Term Portion	\$ 698,153	\$ 700,431	\$ 731,824

Estimated principal repayments are as follows:

2025	\$ 181,135
2026	76,515
2027	549,138
2028	14,500
2029	14,500
Thereafter	43,500

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

7. Deferred Revenue

Deferred revenue consists of various grants and donations received for specific purposes totaling \$330,155 (March 31, 2023 - \$144,650 and December 31, 2022 - \$144,650) for which expenses have not yet been incurred.

8. Related Party Transactions

Members of the Board who have a direct impact on the daily operations of the organization are considered related parties. Board members do not receive compensation but are reimbursed from time to time for reasonable expenses incurred in the performance of their duties as members of the Board. The Executive Director is also a Board member.

These transactions are in the normal course of operations, and have been recorded at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. As at March 31, 2024 no amount was due to or from related parties.

9. Financial Instruments - Financial Risks

The risks arising from financial instruments to which the organization is exposed as at March 31, 2024 are detailed below. Except as noted below, in management's opinion, the organization's exposure to these financial risks is low, and there has been no change in risk exposure compared to the previous year.

(a) Liquidity Risk

Liquidity risk is the risk the organization will be unable to meet a demand for cash obligations as they come due. The organization has exposure to liquidity risk in its bank indebtedness, accounts payable and accrued charges and current portion of long-term debt. The organization reduces exposure to this risk by monitoring cash activities and expected outflows and maintains a line of credit sufficient to assist in discharging its short-term financial obligations.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The organization is exposed to interest rate risk primarily on its bank indebtedness and variable rate long-term debt. The organization manages its exposure to interest rate risk by monitoring market interest rates on a regular basis.

10. Comparative Figures

Certain comparative figures in the financial statements have been reclassified to conform with the presentation adopted for the current year.