

HARVEST HOUSE ATLANTIC INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022

INDEX

	<u>Page</u>
INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Statement 1 - Statement of Financial Position	2
Statement 2 - Statement of Changes in Net Assets	3
Statement 3 - Statement of Operations	4
Statement 4 - Statement of Cash Flows	5
Notes to the Financial Statements	6 - 11

Baker Tilly GMA LLP
Chartered Professional Accountants
548 Pinewood Road
Riverview, NB
Canada E1B 5J9

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

D: +1 506.387.4044
F: +1 506.387.7270

gma-info@bakertilly.ca
www.bakertilly.ca

To the Board of Directors of
Harvest House Atlantic Inc.:

Report on the Financial Statements

We have reviewed the accompanying financial statements of **Harvest House Atlantic Inc.** that comprise the statement of financial position as at **December 31, 2022**, and the statements of operations, 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 entity, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Harvest House Atlantic Inc. as at December 31, 2022, 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.

Riverview, NB
September 21, 2023


Chartered Professional Accountants

ASSURANCE • TAX • ADVISORY

Baker Tilly GMA LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	2022	2021
ASSETS		
Current:		
Cash	\$ 335,362	\$ 353,485
Accounts receivable	37,580	32,271
Due from government agencies	9,559	-
Prepaid expenses	<u>770</u>	<u>770</u>
	383,271	386,526
Capital assets (Note 2)	<u>2,630,720</u>	<u>2,723,277</u>
	<u>\$ 3,013,991</u>	<u>\$ 3,109,803</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 69,785	\$ 84,771
Due to government agencies	-	11,081
Deferred revenue (Note 5)	144,650	218,474
Current portion of long-term debt (Note 4)	<u>352,008</u>	<u>118,466</u>
	566,443	432,792
Long-term debt (Note 4)	<u>731,824</u>	<u>1,083,410</u>
	1,298,267	1,516,202
NET ASSETS		
Net assets (Statement 2)	<u>1,715,724</u>	<u>1,593,601</u>
	<u>\$ 3,013,991</u>	<u>\$ 3,109,803</u>

APPROVED ON BEHALF OF THE BOARD

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Net assets, beginning of year	\$ 1,593,601	\$ 1,353,843
Excess of revenues over expenditures for the year - Statement 3	<u>122,123</u>	<u>239,758</u>
Net assets, end of year - Statement 1	<u><u>\$ 1,715,724</u></u>	<u><u>\$ 1,593,601</u></u>

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Revenues:		
Donations and fundraising	\$ 1,552,113	\$ 1,330,070
Government funding	779,493	566,738
Rental and program fees	292,872	366,813
Rising Tide	68,427	4,000
Loan forgiveness	46,516	46,516
Other	4,668	5,682
	<u>2,744,089</u>	<u>2,319,819</u>
Expenditures:		
Administration	64,301	59,879
Advertising and promotion	4,532	4,089
Amortization	126,357	106,740
Bad debts	3,377	-
Donations and benevolence	2,813	9,949
Fundraising expenses	54,795	41,582
Heat and power	135,673	109,372
Insurance	43,787	39,002
Interest and bank charges	12,504	7,481
Interest on long-term debt	28,079	28,757
Professional fees	7,664	11,108
Programs and events	1,550	-
Property taxes	2,723	17,455
Rent	3,850	18,230
Repairs and maintenance	97,609	177,535
Supplies	118,050	165,779
Telephone	24,790	24,081
Vehicle and travel	21,872	26,641
Wages and benefits	<u>1,866,494</u>	<u>1,197,822</u>
	<u>2,620,820</u>	<u>2,045,502</u>
Excess of revenues over expenditures from operations	123,269	274,317
Other expense:		
Loss on sale of capital assets	<u>(1,146)</u>	<u>(34,559)</u>
Excess of revenues over expenditures for the year - Statement 2	<u>\$ 122,123</u>	<u>\$ 239,758</u>

HARVEST HOUSE ATLANTIC INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Cash flows from operating activities:		
Excess of revenues over expenditures	\$ 122,123	\$ 239,758
Adjustments for non-cash items:		
Amortization	126,357	106,740
Loss on sale of capital assets	<u>1,146</u>	<u>34,559</u>
	249,626	381,057
Change in non-cash working capital balances:		
Accounts receivable	(5,309)	(32,262)
Due from/to government agencies	(20,640)	1,297
Prepaid expenses	-	8,216
Accounts payable and accrued liabilities	(14,986)	32,299
Deferred revenue	<u>(73,824)</u>	<u>(156,663)</u>
Cash flows from operating activities	<u>134,867</u>	<u>233,944</u>
Cash flows from investing activities:		
Purchase of capital assets	(34,947)	(999,114)
Proceeds on disposal of capital assets	<u>1</u>	<u>132,150</u>
Cash flows used in investing activities	<u>(34,946)</u>	<u>(866,964)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(118,044)	(175,075)
Proceeds of long-term debt	<u>-</u>	<u>562,500</u>
Cash flows from (used in) financing activities	<u>(118,044)</u>	<u>387,425</u>
Net decrease in cash	(18,123)	(245,595)
Cash, beginning of year	<u>353,485</u>	<u>599,080</u>
Cash, end of year - Statement 1	<u><u>\$ 335,362</u></u>	<u><u>\$ 353,485</u></u>

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Description of major business activity:

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.

1. Significant accounting policies and general information:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Measurement uncertainty -

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in income in the period in which they become known. Estimates are used when accounting for certain items such as the useful life of capital assets.

In addition, in the prior year, the organization received subsidies and other assistance through the Government of Canada's COVID-19 Economic Response Plan. Due to uncertainty with Canada Revenue Agency's application of the legislation associated with the programs involved in the COVID-19 Economic Response Plan, there is a potential measurement uncertainty associated with the amounts recorded in the financial statements associated with these programs.

(b) Cash and cash equivalents -

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

(c) 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
Paving	8% diminishing balance
Furniture, fixtures and equipment	20-50% diminishing balance
Vehicles	3 years straight-line

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Significant accounting policies and general information (cont'd)

(d) Financial instruments -

(i) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

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

(ii) 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.

(e) Revenue recognition -

The organization follows the deferral method of accounting for contributions which includes 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 made. 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 recognized as revenue when received or receivable if the amount to be received 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, loan forgiveness, and other revenue are recognized as earned.

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. Capital assets:

	<u>Cost</u>	<u>2022 Accumulated amortization</u>	<u>Net Book Value</u>	<u>2021 Net Book Value</u>
Land	\$ 426,194	\$ -	\$ 426,194	\$ 426,195
Buildings	2,787,222	682,420	2,104,802	2,193,648
Paving	15,624	9,630	5,994	6,515
Furniture, fixtures and equipment	155,600	95,679	59,921	69,242
Vehicles	71,405	37,596	33,809	27,677
	<u>\$ 3,456,045</u>	<u>\$ 825,325</u>	<u>\$ 2,630,720</u>	<u>\$ 2,723,277</u>

3. 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% (currently 8.52%). At year end, no balance was utilized. A general security agreement covering all assets of the organization has been pledged as security.

4. Long-term debt:

	2022	2021
Loan payable to the Royal Bank of Canada (RBC) bearing interest at 3.2% per annum, repayable in monthly payments of \$2,181 including interest. The loan is secured by a property at 108 High Street with a net book value of \$577,848. The loan matures in May 2026.	\$ 430,892	\$ 442,875
Mortgage payable to the Royal Bank of Canada (RBC) bearing interest at 2.49% per annum, repayable in monthly payments of \$3,860 including interest. The loan is secured by properties on High Street with an aggregate net book value of \$1,200,510. The loan matures in September 2023.	186,618	227,865
Loan payable to the Royal Bank of Canada (RBC) 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 \$145,414. The loan matures in May 2026.	107,206	110,719
Loan payable to the Royal Bank of Canada (RBC) bearing interest at 4.31% per annum, repayable in monthly payments of \$509 including interest. The loan is secured by a property at 157 Dominion Street and 221 Park Street with a net book value of \$101,430. The loan matures in December 2024.	59,478	62,535

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. Long-term debt (cont'd)

	2022	2021
Loan payable to the Royal Bank of Canada (RBC) bearing interest at 2.57% per annum, repayable in monthly payments of \$892 including interest. The loan is secured by properties on High Street with an aggregate net book value of \$1,200,510. The loan matures in September 2023.	52,776	61,816
Loan payable to the Royal Bank of Canada (RBC) bearing interest at 4.77% per annum, repayable in monthly payments of \$310 including interest. The loan is secured by a property at 147-149 Dominion Street with a net book value of \$180,709. The loan matured in May 2023 and was repaid in full at that time.	16,734	19,421
Canada Emergency Business Account (CEBA) term loan payable to the Royal Bank of Canada (RBC). The loan is without interest until December 31, 2023. The remaining balance on December 31, 2023 will be converted to a 2 year term loan with an interest rate of 5%. Starting January 1, 2024, monthly interest only payments will be required on the balance of the loan. If 75% of the loan is repaid on or before December 31, 2023 the remaining 25% of the loan will be forgiven, up to \$10,000. The loan is unsecured. The loan matures in December 2025.	30,000	30,000
<i>Forgivable loans:</i>		
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 \$246,339. The loan matures, and the forgiveness period ends in August 2032. The forgiveness occurs evenly during the twelve year forgiveness period.	145,000	159,500
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 a property on Gordon Street with a net book value of \$127,231. The loan matures, and the forgiveness period ends in 2025. The forgiveness occurs evenly during the seven year forgiveness period.	34,668	46,225

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. Long-term debt (cont'd)

	2022	2021
Saint John Human Development Council loan. The interest is calculated using the "average bank rate" (as defined in the agreement), plus 3% per annum. The principal and interest are forgivable provided that the building is used for its intended purpose of purchase and renovation of "Step Up" housing or some other service approved by the Community Entity in support of homeless individuals. The loan matures and the forgiveness period ends in 2023. The forgivable portion of the balance outstanding increases by 20% each year.	<u>20,460</u>	<u>40,920</u>
Less current portion	1,083,832 <u>352,008</u>	1,201,876 <u>118,466</u>
Long-term	<u><u>\$ 731,824</u></u>	<u><u>\$ 1,083,410</u></u>
Estimated principal repayments are as follows:		
2023	\$ 352,008	
2024	98,121	
2025	42,814	
2026	503,889	
2027	14,500	

In the 2020 year the organization entered into loan agreements with the RBC for the Canada Emergency Business Account Loan, from which \$40,000 was borrowed in the year. The loan is forgivable as described above. Due to the nature of the loan, and that \$10,000 of the total \$40,000 loan is forgivable by the Federal Government of Canada, the forgiven portion of the loan was included in income of the organization in 2020. If the organization does not repay the non-forgivable portion of the loan in full (\$30,000), by December 31, 2023, the organization would have an additional liability of \$10,000, being the balance previously included in income as forgiven.

5. Deferred revenue:

Deferred revenue consists of various grants and donations received for specific purposes totaling \$144,650 for which expenses have not yet been incurred.

HARVEST HOUSE ATLANTIC INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. Financial instruments risks and uncertainties:

Liquidity risk

Liquidity risk arises from the potential the organization will not be able to meet all cash outflow obligations as they come due. The organization has exposure to liquidity risk in its bank indebtedness, accounts payable 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. In management's opinion, liquidity risk exposure to the organization is low and has not changed significantly from the previous fiscal year.

Interest rate risk

The organization is exposed to interest rate risk. Interest rate risk is the risk that the organization has interest rate exposure on its bank indebtedness and long-term debt, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The organization reduces its exposure to interest rate risk by monitoring market interest rates on a regular basis. There are some loans payable that are at fixed term rates, or zero interest rates and do not affect interest rate risk. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the organization low and is not material.

7. Subsequent events:

Subsequent to the year end, the organization changed their fiscal year end to March 31st which will cause a change in the reporting period going forward, starting with the fiscal period ending March 31, 2023.