

Hopewell Children's Homes Inc.
Financial Statements
For the Year Ended March 31, 2021

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For the Year Ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of Hopewell Children's Homes Inc.

Qualified Opinion

We have audited the financial statements of Hopewell Children's Homes Inc. (the Organization), which comprise the statement of financial position as at March 31, 2021, the statements of operations, 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 March 31, 2021, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and other fundraising activities 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 other revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 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 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.

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 the basis of accounting as described in Note 1, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
June 2, 2021

Hopewell Children's Homes Inc. Statement of Financial Position

March 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 429,403	\$ -
Accounts receivable	660,071	177,675
Prepaid expenses	49,978	35,096
	1,139,452	212,771
Capital Assets (Note 3)	1,704,004	1,729,061
Designated and trust funds (Note 9)	96,438	79,099
	\$ 2,939,894	\$ 2,020,931
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 2)	\$ -	\$ 12,806
Accounts payable and accrued liabilities	409,708	221,219
Deferred revenue	43,765	41,413
Current portion of long-term debt (Note 4)	26,311	435,322
	479,784	710,760
Long-term portion of demand debt (Note 4)	227,084	-
	706,868	710,760
Long-term debt (Note 4)	102,010	113,279
Ministry of Children, Community and Social Services Grant (Note 5)	952,524	875,324
Deferred contributions (Note 8)	122,555	176,443
	1,883,957	1,875,806
Net Assets		
Invested in Capital Assets	273,520	128,692
Designated and Trust (Note 9)	96,438	79,099
Unrestricted	685,979	(62,666)
	1,055,937	145,125
	\$ 2,939,894	\$ 2,020,931

The accompanying notes are an integral part of these financial statements.

Hopewell Children's Homes Inc.
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Designated and Trust	Unrestricted	2021 Total	2020 Total
Balance, beginning of the year	\$ 128,692	\$ 79,099	\$ (62,666)	\$ 145,126	\$ 95,497
Excess (deficiency) of revenues over expenses	(53,085)	-	946,558	893,473	49,195
Net investment in capital assets in the year	4,717	-	(4,717)	-	-
Repayment of mortgage principal	193,196	-	(193,196)	-	-
Designated and Trust Expenditures	-	(89,880)	-	(89,880)	(127,746)
Contributions and interest	-	107,219	-	107,219	128,180
Balance, end of the year	\$ 273,520	\$ 96,438	\$ 685,979	\$ 1,055,938	\$ 145,126

The accompanying notes are an integral part of these financial statements.

Hopewell Children's Homes Inc. Statement of Operations

For the year ended March 31	2021	2020
Revenue		
MCCSS funding	\$ 5,532,228	\$ 4,811,886
Government assistance (Note 11)	2,104,646	-
Recoveries	368,179	354,379
Service fees	239,171	497,273
Passport funding	128,662	226,155
General donations, fundraising	62,116	57,279
	8,435,002	5,946,972
Expenses		
Physical and personal needs of residents		
Health Services	209,348	42,321
Food	150,371	178,625
Passport expense	128,662	225,885
Personal needs	59,270	26,506
Travel	58,857	77,704
	606,508	551,041
Salaries	5,756,962	4,372,217
Staff training	49,802	29,226
Accommodation		
Maintenance	306,161	182,679
New furnishings	110,784	45,286
Utilities	108,067	82,685
Amortization	106,972	109,814
Rent	106,214	119,174
Purchased services	68,488	112,205
Mortgage interest	20,028	20,440
	826,714	672,283
Administration		
Purchased services	177,230	173,400
Insurance	73,716	65,487
Office	47,137	33,713
Advertising	3,460	232
Bad debts	-	178
	301,543	273,010
	7,541,529	5,897,777
Excess of revenues over expenses	\$ 893,473	\$ 49,195

The accompanying notes are an integral part of these financial statements.

Hopewell Children's Homes Inc. Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Excess of revenues over expenses	\$ 893,473	\$ 49,195
Increase in designated and trust funds	17,339	434
Items not affecting cash:		
Amortization	106,972	109,814
	1,017,784	159,443
Changes in non-cash working capital:		
Accounts receivable	(482,396)	(34,450)
Prepaid expenses	(14,882)	27,152
Accounts payable and accrued liabilities	188,489	33,853
Deferred revenue	2,352	7,650
	711,347	193,648
Cash flows from investing activities		
Purchase of capital assets	(81,917)	-
Increase in designated and trust funds balance	(17,339)	(434)
	(99,256)	(434)
Cash flows from financing activities		
Repayment of mortgage principal	(193,196)	(40,038)
Advancements from MCCSS grants	77,200	-
Amortization of deferred capital government grants	(53,887)	(53,887)
	(169,883)	(93,925)
Net increase in cash	442,208	99,289
Bank indebtedness, beginning of the year	(12,805)	(112,094)
Cash (bank indebtedness), end of the year	\$ 429,403	\$ (12,805)

The accompanying notes are an integral part of these financial statements.

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature and Purpose of Organization Hopewell Children's Homes Inc. (the "Organization") was incorporated without share capital, on April 3, 1990, under the laws of Ontario for the purpose of engaging in the operation of residential, respite and recreational services for children and adults with multiple and complex needs.

The Organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the organization's agreements with the Ministry of Children, Community and Social Services. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations because:

- (a) Capital expenditures
 - i) purchased using government grants designated as operating funding are charged to operations in the year the expenditure is incurred, and
 - ii) purchased using government grants designated as capital funding are capitalized on the statement of financial position, and are amortized over their estimated useful lives.
- (b) Building assets that have received a government grant will have the non-government grant portion amortized based on the annual principal payment schedule.
- (c) The amounts owing back to MCCSS related to the purchases of land and buildings are presented at the future amount owing upon disposal of the property. Therefore, this portion of the property is not amortized.

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Revenue Recognition The Organization follows the deferral method of accounting for contributions.

Donations and fundraising are recognized as revenue in the year in which the related expenses are incurred. Donations and fundraising where expenses have not been incurred are recorded as deferred contributions. Ministry funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Recoveries are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to capital assets are deferred upon receipt and then are amortized into revenue in amounts equal to the amortization recognized during each year.

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Capital Assets Building assets that have received a government grant will have the non-government grant portion amortized based on the annual principal payment schedule. The government funded portions of these buildings are not amortized. Amortization on other assets is provided using the following methods and annual rates.

	Method	Rate
Building renos	Straight-line	5 years
Pool	Straight-line	15 years
Vehicles	Straight-line	5 years
Storage shed	Straight-line	10 years

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

Fund accounting The organization uses fund accounting under the deferral method of accounting for contributions.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets.

Designated and Trust Funds represent monies which have been allocated for a specific use and are not available for the general operation of the organization.

The Unrestricted Fund reports the donations, fundraising and recoveries received against operations and administration of the organization.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates made by management include the useful lives of capital assets. Actual results could differ from those estimates.

Government Assistance The Organization makes periodic applications for financial assistance under government incentive programs. Government assistance received during the year for current expenses is included in the determination of net income for the year.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2021

2. Cash (Bank indebtedness)

The organization has an available revolving line of credit of \$150,000. The revolving line of credit is due on demand and bears interest at prime plus 1.5% per annum.

3. Capital Assets

	2021		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 160,000	\$ -	\$ 160,000
Building	2,245,745	757,239	1,488,506
Pool	129,230	94,768	34,462
Vehicles	260,275	241,690	18,585
Storage shed	24,509	22,058	2,451
	\$ 2,819,759	\$ 1,115,755	\$ 1,704,004
	2020		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 160,000	\$ -	\$ 160,000
Building	2,163,829	670,625	1,493,204
Pool	129,230	86,152	43,078
Vehicles	260,275	232,398	27,877
Storage shed	24,509	19,607	4,902
	\$ 2,737,843	\$ 1,008,782	\$ 1,729,061

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2021

4. Long-term Debt

	2021	2020
CIBC - term loan, repayable in blended monthly payments of \$1,166, interest calculated at 2.95%, paid in full during the year.	\$ -	\$ 167,996
CIBC - mortgage payable, repayable in blended monthly payments of \$1,161, interest calculated at 2.49%, due July 2022. Secured by a property with a carrying value of \$187,225.	113,253	124,245
CIBC - term loan, repayable in blended monthly payments of \$1,744, interest calculated at 2.49%, due October 2025. Secured by a property with a carrying value of \$317,152.	242,152	256,360
Current portion	355,405 (26,311)	548,601 (435,322)
Long-term portion of debt	\$ 329,094	\$ 113,279

Principal repayments on long-term debt over the next four years are as follows:

2022	\$	26,311
2023		26,973
2024		106,321
2025		16,235
2026		179,565
	\$	355,405

The term loans are secured by a first security interest in all present and after acquired property. The Organization is required to meet a minimum debt service ratio of 1.00 to 1.00.

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2021

5. Ministry of Children, Community and Social Services Grants for Real Property

The Ministry of Children, Community and Social Services (MCCSS) has funded the purchase of real property with grants that are conditional. The proportionate share of the MCCSS funding received must be repaid on the disposal of the property. Therefore, this portion of the property is not amortized.

	2021	2020
MCSS Grant - Building Ariss	\$ 601,324	\$ 601,324
MCSS Grant - Building (Ooster)	150,000	150,000
MCSS Grant - Building Wilton	75,000	75,000
MCSS Grant - Building (Steph)	49,000	49,000
MCCSS Grant -Ariss Parking Lot	77,200	-
	<u>\$ 952,524</u>	<u>\$ 875,324</u>

6. Endowment Fund

The Organization has established an Endowment Fund through The Guelph Community Foundation. The funds contributed are permanently endowed. The Guelph Community Foundation invests contributions to the fund in accordance with its investment policy and provisions of its Asset Management Plan. The total balance in the endowment fund at March 31, 2021 including interest reinvested in the endowment is \$84,030 (2020 - \$74,218)

7. Economic Dependence

The Organization receives 65.6% (2020 - 80.9%) of its eligible funding from the MCCSS. The future of the Organization is reliant on MCCSS providing sufficient ongoing funding to manage the requirements of current and future years.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2021

8. Deferred Contributions

The Organization has deferred contribution balances related to grant funding for the purchase of capital assets as follows:

	<u>2021</u>	<u>2020</u>
Fire renovations	\$ 85,642	\$ 128,464
Pool	34,462	43,077
Shed	2,451	4,902
	<u>\$ 122,555</u>	<u>\$ 176,443</u>

9. Designated and Trust

The Organization administers personal accounts for residents who are able to use the funds for personal items. The balance represents the net obligation to the residents, payable upon request.

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2021

10. Financial Instruments

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 resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. At year-end, the credit risk related to the Organization's accounts receivable has increased due to the impact of COVID-19, which could lead to potential losses.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt. At year-end, the liquidity risk related to the Organization's accounts payable and accrued liabilities and long-term debt has increased due to the impact of COVID-19, which could lead to increased difficulty in meeting the Organization's obligations as they come due.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's exposure to this risk arises primarily from long-term debt with fixed interest rates. The risk has not changed from the previous year.

11. Material Uncertainty

On March 11, 2020 the World Health Organization characterized the outbreak COVID-19 as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Organization was able to continue operations during fiscal 2021, however it qualified to receive governmental assistance of \$2,070,064 in the form of the Canadian Emergency Wage Subsidy ("CEWS") and \$34,582 in the form of the Canadian Emergency Rent Subsidy ("CERS"). While the Organization continues to operate as it has been deemed an essential service, the full potential impact of COVID-19 on the Organization's future operations is not known.
