

Hopewell Children's Homes Inc.
Financial Statements
For the Year Ended March 31, 2020

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Independent Auditor's Report

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

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, 2020, 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, 2020, 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 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.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
June 3, 2020

Hopewell Children's Homes Inc.
Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Accounts receivable	\$ 177,675	\$ 143,225
Prepaid expenses	35,096	62,248
	212,771	205,473
Capital Assets (Note 3)	1,729,061	1,838,874
Designated and trust funds (Note 9)	79,099	78,665
	\$ 2,020,931	\$ 2,123,012
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 2)	\$ 12,806	\$ 112,093
Accounts payable and accrued liabilities	221,219	187,366
Deferred revenue	41,413	33,763
Current portion of long-term debt (Note 4)	435,322	37,745
	710,760	370,967
Long-term debt (Note 4)	113,279	550,894
Ministry of Children, Community and Social Services Grant (Note 5)	875,324	875,324
Deferred contributions (Note 8)	176,443	230,330
	1,875,806	2,027,515
Net Assets		
Invested in Capital Assets	128,692	144,581
Designated and Trust (Note 9)	79,099	78,665
Unrestricted	(62,666)	(127,749)
	145,125	95,497
	\$ 2,020,931	\$ 2,123,012

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	2020 Total	2019 Total
Balance, beginning of the year	\$ 144,581	\$ 78,665	\$ (127,749)	\$ 95,496	\$ 260,189
Excess (deficiency) of revenues over expenses	(55,927)	-	105,121	49,194	(156,675)
Repayment of mortgage principal	40,038	-	(40,038)	-	-
Designated and Trust Expenditures	-	(127,746)	-	(127,746)	(106,123)
Contributions and interest	-	128,180	-	128,180	98,105
Balance, end of the year	\$ 128,692	\$ 79,099	\$ (62,666)	\$ 145,124	\$ 95,496

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	2020	2019
Revenue		
MCCSS funding	\$ 4,811,886	\$ 4,349,698
Recoveries	710,327	717,735
Passport funding	226,155	170,079
Service fees	141,324	103,469
General donations, fundraising	57,279	66,615
	5,946,971	5,407,596
Expenses		
Physical and personal needs of residents		
Passport expense	225,885	170,139
Food	178,625	139,392
Travel	77,704	202,449
Health Services	42,321	18,448
Personal needs	26,506	6,571
	551,041	536,999
Salaries	4,372,217	3,707,822
Staff training	29,226	83,097
Accommodation		
Maintenance	182,679	293,679
Rent	119,174	93,563
Purchased services	112,205	135,050
Amortization	109,814	114,414
Utilities	82,685	128,747
New furnishings	45,286	182,494
Mortgage interest	20,440	25,182
	672,283	973,129
Administration		
Purchased services	173,400	199,854
Insurance	65,487	37,640
Office	33,713	25,460
Advertising	232	270
Bad debts	178	-
	273,010	263,224
	5,897,777	5,564,271
Excess (deficiency) of revenues over expenses	\$ 49,194	\$ (156,675)

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	2020	2019
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 49,194	\$ (156,675)
Increase (decrease) in designated and trust funds	434	(8,018)
Items not affecting cash:		
Amortization	109,814	114,414
	159,442	(50,279)
Changes in non-cash working capital:		
Accounts receivable	(34,450)	57,764
Prepaid expenses	27,152	(32,834)
Accounts payable and accrued liabilities	33,853	(78,226)
Deferred revenue	7,650	9,805
	193,647	(93,770)
Cash flows from investing activities		
Purchase of capital assets	-	(214,106)
Decrease (increase) in designated and trust funds balance	(434)	8,018
	(434)	(206,088)
Cash flows from financing activities		
Repayment of mortgage principal	(40,038)	(36,636)
Receipt of capital government grants	-	214,106
Amortization of deferred capital government grants	(53,887)	(53,887)
	(93,925)	123,583
Net increase (decrease) in cash	99,288	(176,275)
Cash (bank indebtedness), beginning of the year	(112,094)	64,181
Bank indebtedness, end of the year	\$ (12,806)	\$ (112,094)

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

Hopewell Children's Homes Inc.

Notes to Financial Statements

March 31, 2020

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) Amortization on the financed portion of building assets is equal to the annual principal reduction of the related loan.
- (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, 2020

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, 2020

1. Significant Accounting Policies (continued)

Capital Assets Amortization of the non-government funded portion of buildings is calculated using an amount equal to the principal repayments on related mortgage loans during the year. 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.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2020

2. 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

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 160,000	\$ -	\$ 160,000	\$ -
Building	2,163,829	670,625	2,163,829	581,170
Pool	129,230	86,152	129,230	77,537
Vehicles	260,275	232,398	260,275	223,106
Storage shed	24,509	19,607	24,509	17,156
	<u>2,737,843</u>	<u>1,008,782</u>	<u>2,737,843</u>	<u>898,969</u>
		<u>\$ 1,729,061</u>		<u>\$ 1,838,874</u>

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2020

4. Long-term Debt

	2020	2019
CIBC - term loan, repayable in blended monthly payments of \$1,616, interest calculated at 3.25%, due October 2020. Secured by a property with a carrying value of \$307,312.	\$ 167,996	\$ 182,805
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 \$198,147.	124,245	134,942
CIBC - term loan, repayable in blended monthly payments of \$1,833, interest calculated at 3.25%, due October 2020. Secured by a property with a carrying value of \$337,955.	256,360	270,892
Current portion	548,601 (435,322)	588,639 (37,745)
Long-term portion of debt	\$ 113,279	\$ 550,894

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

2021	\$	435,322
2022		11,243
2023		102,036
	\$	548,601

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.

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.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2020

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, 2020 including interest reinvested in the endowment is \$74,218 (2019 - \$81,192)

7. Economic Dependence

The Organization receives 80.9% (2019 - 80.4%) 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.

8. Deferred Contributions

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

	<u>2020</u>	<u>2019</u>
Fire renovations	\$ 128,464	\$ 171,285
Pool	43,077	51,692
Shed	4,902	7,353
	<u>\$ 176,443</u>	<u>\$ 230,330</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, 2020

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

The COVID-19 pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. In addition, if the impacts of COVID-19 continue, there could be further impact on the organization that could impact the timing and amounts of cash flows received and future operations. At this time, the full potential impact of COVID-19 on the organization is not known.
