

Hopewell Children's Homes Inc.
Financial Statements
For the Year Ended March 31, 2022

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For the Year Ended March 31, 2022

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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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 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 10, 2022

Hopewell Children's Homes Inc.
Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 647,922	\$ 429,403
Short term investments (Note 3)	200,000	-
Accounts receivable	566,706	660,071
Prepaid expenses	57,237	49,978
	1,471,865	1,139,452
Long-term investments (Note 3)	200,000	-
Capital assets (Note 4)	2,495,704	1,704,004
Designated and trust funds (Note 5)	100,801	96,438
	\$ 4,268,370	\$ 2,939,894
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 756,662	\$ 409,708
Deferred revenue	14,160	43,765
Current portion of long-term debt (Note 6)	117,436	26,311
	888,258	479,784
Long-term portion of demand debt (Note 6)	-	227,084
	888,258	706,868
Long-term debt (Note 6)	211,636	102,010
Ministry of Children, Community and Social Services Grant (Note 7)	875,324	875,324
Deferred contributions (Note 10)	268,348	199,755
	2,243,566	1,883,957
Net Assets		
Invested in Capital Assets	1,022,960	273,520
Designated and Trust (Note 5)	100,801	96,438
Unrestricted	901,043	685,979
	2,024,804	1,055,937
	\$ 4,268,370	\$ 2,939,894

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	2022 Total	2021 Total
Balance, beginning of the year	\$ 273,520	\$ 96,438	\$ 685,979	\$ 1,055,937	\$ 145,125
Excess of revenues over expenses	(48,838)	-	1,013,342	964,504	893,473
Net investment in capital assets in the year	771,946	-	(771,946)	-	-
Repayment of mortgage principal	26,332	-	(26,332)	-	-
Designated and Trust Expenditures	-	(98,650)	-	(98,650)	(89,880)
Contributions and interest	-	103,013	-	103,013	107,219
Balance, end of the year	\$ 1,022,960	\$ 100,801	\$ 901,043	\$ 2,024,804	\$ 1,055,937

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	2022	2021
Revenue		
Provincial grants (Note 9)	\$ 5,940,460	\$ 5,088,135
Federal grants	15,359	11,213
Other grants	8,663	11,403
User fees	100,850	195,578
One-time funding - COVID-19 (Note 14)	2,509,565	2,874,097
Fund development	117,604	50,714
Other income	341,388	203,862
	<u>9,033,889</u>	<u>8,435,002</u>
Expenses		
Salaries and benefits	5,747,795	5,756,962
Accommodation (Note 4)	1,387,338	826,714
Other program costs	576,120	606,508
Staff training	60,551	49,802
Administration	297,581	301,543
	<u>8,069,385</u>	<u>7,541,529</u>
Excess of revenues over expenses	<u>\$ 964,504</u>	<u>\$ 893,473</u>

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	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 964,504	\$ 893,473
Increase in designated and trust funds	4,363	17,339
Items not affecting cash:		
Amortization of capital assets	107,871	106,972
Amortization of deferred contributions	(59,034)	(53,887)
	1,017,704	963,897
Changes in non-cash working capital:		
Accounts receivable	93,364	(482,396)
Prepaid expenses	(7,259)	(14,882)
Accounts payable and accrued liabilities	346,954	188,489
Deferred revenue	(29,605)	2,352
	1,421,158	657,460
Cash flows from investing activities		
Purchase of capital assets	(899,571)	(81,917)
Increase in designated and trust funds balance	(4,363)	(17,339)
Purchase of investments	(400,000)	-
	(1,303,934)	(99,256)
Cash flows from financing activities		
Repayment of mortgage principal	(26,332)	(193,196)
Capital contributions received	127,627	77,200
	101,295	(115,996)
Net increase in cash	218,519	442,208
Cash (bank indebtedness), beginning of the year	429,403	(12,805)
Cash, end of the year	\$ 647,922	\$ 429,403

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

Hopewell Children's Homes Inc.

Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>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.</p> <p>The Organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.</p>
Basis of Accounting	<p>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:</p> <ul style="list-style-type: none">(a) Capital expenditures<ul style="list-style-type: none">i) purchased using government grants designated as operating funding are charged to operations in the year the expenditure is incurred, andii) 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 when there is a mortgage on the remaining building asset.(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.
Fund Accounting	<p>The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.</p> <p>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.</p> <p>The Unrestricted Fund reports the donations, fundraising and recoveries received against operations and administration of the Organization.</p>

Hopewell Children's Homes Inc.

Notes to Financial Statements

March 31, 2022

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. 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.

In-kind donations are recognized when received or receivable and are measured at their estimated fair market value.

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Short Term Investments Short term investments are accounted for at fair value. Changes in fair value are recorded through the statement of operations.

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 when there is a mortgage on the remaining building asset. 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 renovations	Straight-line	5 years
Pool	Straight-line	15 years
Vehicles	Straight-line	5 years
Storage shed	Straight-line	10 years
Furniture	Straight-line	5 years
Parking lot	Straight-line	15 years
Buildings	Straight-line	30 years

Capital in progress is not amortized as it is not yet in use.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

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.
Contributed Materials	Contributed materials which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.
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, 2022

2. Cash

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 0.75% per annum. At March 31, 2022, \$NIL (2021 - \$NIL) of this facility has been accessed.

The Organization is required to meet a minimum debt service ratio of 1.10 to 1.00.

3. Investments

Investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Guaranteed investment certificates	\$ 400,000	\$ -
Less: Short-term investments	<u>(200,000)</u>	<u>-</u>
Long-term investments	<u>\$ 200,000</u>	<u>\$ -</u>

Guaranteed investment certificates totaling \$400,000 (2021 - \$NIL) bear interest at fixed rates from 1.60% to 2.10% and have maturity dates of March 2023 to March 2025.

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2022

4. Capital Assets

	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 299,457	\$ -	\$ 299,457
Building	2,763,894	831,234	1,932,660
Parking lot	110,059	7,337	102,722
Pool	129,230	103,383	25,847
Vehicles	325,727	257,163	68,564
Storage shed	24,509	24,509	-
Furniture	14,327	-	14,327
Capital in progress	52,127	-	52,127
	\$ 3,719,330	\$ 1,223,626	\$ 2,495,704

	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

Amortization expense of \$107,871 (2021 - \$106,972) is included accommodation expense on the Statement of Operations.

5. 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, 2022

6. Long-term Debt

	2022	2021
CIBC - mortgage payable, repayable in blended monthly payments of \$1,161, interest calculated at 2.49%, due July 2022. Secured by land and buildings located at 279 Stephanie Drive, Guelph, ON with a carrying value of \$175,961.	101,989	113,253
CIBC - term loan, repayable in blended monthly payments of \$1,744, interest calculated at 2.49%, due October 2025. Secured by land and buildings located at 66 Wilton Road, Guelph, ON with a carrying value of \$302,084.	227,083	242,152
Current portion	329,072 (117,436)	355,405 (26,311)
Long-term portion of debt	\$ 211,636	\$ 329,094

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

2023	117,436
2024	15,836
2025	16,235
2026	179,565
	\$ 329,072

Hopewell Children's Homes Inc.
Notes to Financial Statements

March 31, 2022

7. 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.

	2022	2021
MCCSS Grant - Building Ariss	\$ 601,324	\$ 601,324
MCCSS Grant - Building Elmira	150,000	150,000
MCCSS Grant - Building Wilton	75,000	75,000
MCCSS Grant - Building Stephanie	49,000	49,000
	<u>\$ 875,324</u>	<u>\$ 875,324</u>

8. 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, 2022 including interest reinvested in the endowment is \$89,901 (2021 - \$84,030).

9. Economic Dependence

The Organization receives 78.0% (2021 - 65.7%) 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, 2022

10. Deferred Contributions

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

	<u>2022</u>	<u>2021</u>
Fire renovations	\$ 42,821	\$ 85,642
Pool	25,847	34,462
Shed	-	2,451
Ariss parking lot	72,053	77,200
Minor capital	63,300	-
Snoezelen room	50,000	-
Furniture	14,327	-
	<u>\$ 268,348</u>	<u>\$ 199,755</u>

11. Commitments

In the normal course of operations, the Organization enters into commitments for the rental of various premises.

The minimum annual commitment payments over the next five years and thereafter are as follows:

2023	\$ 63,293
2024	64,748
2025	65,475
2026	66,930
2027	67,658
Thereafter	<u>92,393</u>
	<u>\$ 420,497</u>

Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2022

12. 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 remains 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 remains 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.

13. Comparative Figures

Certain prior year comparatives have been changed to conform with current year financial statement presentation.

14. 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 2022, however it qualified to receive governmental assistance of \$986,788 (2021 - \$2,070,064) in the form of the Canadian Emergency Wage Subsidy ("CEWS") and \$77,752 (2021 - \$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.