

**Hopewell Children's Homes Inc.**  
**Financial Statements**  
**For the Year Ended March 31, 2023**

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## Independent Auditor's Report

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**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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 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.

### **Emphasis of Matter - Basis of Accounting**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization to comply with the agreements with the Ministry of Children, Community and Social Services. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



### **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 20, 2023

## Hopewell Children's Homes Inc. Statement of Financial Position

March 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 924,351	\$ 647,922
Short term investments (Note 3)	300,000	200,000
Accounts receivable	246,876	566,706
Prepaid expenses	81,502	57,237
	<u>1,552,729</u>	<u>1,471,865</u>
Long-term investments (Note 3)	100,000	200,000
Capital assets (Note 4)	2,736,754	2,495,704
Designated and trust funds (Note 5)	99,213	100,801
	<u>\$ 4,488,696</u>	<u>\$ 4,268,370</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 665,582	\$ 756,662
Deferred revenue	67,258	14,160
Current portion of long-term debt (Note 6)	15,837	117,436
	<u>748,677</u>	<u>888,258</u>
Long-term debt (Note 6)	195,800	211,636
Ministry of Children, Community and Social Services Grant (Note 7)	875,324	875,324
Deferred contributions (Note 10)	742,938	268,348
	<u>2,562,739</u>	<u>2,243,566</u>
<b>Net Assets</b>		
Invested in Capital Assets	906,855	1,022,960
Designated and Trust (Note 5)	99,213	100,801
Unrestricted	919,889	901,043
	<u>1,925,957</u>	<u>2,024,804</u>
	<u>\$ 4,488,696</u>	<u>\$ 4,268,370</u>

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	2023 Total	2022 Total
Balance, beginning of the year	\$ 1,022,960	\$ 100,801	\$ 901,043	\$ 2,024,804	\$ 1,055,937
Excess of revenues over expenses	(86,794)	-	(10,465)	(97,259)	964,504
Net investment in capital assets in the year	(146,745)	-	146,745	-	-
Repayment of mortgage principal	117,434	-	(117,434)	-	-
Designated and Trust					
Expenditures	-	(114,265)	-	(114,265)	(98,650)
Contributions and interest	-	112,677	-	112,677	103,013
Balance, end of the year	\$ 906,855	\$ 99,213	\$ 919,889	\$ 1,925,957	\$ 2,024,804

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	2023	2022
<b>Revenue</b>		
MCCSS operating subsidies (Note 9)	\$ 6,501,384	\$ 5,566,111
Covid related subsidies	538,513	2,509,565
Deferred contribution revenue	73,280	59,034
Recoveries	404,911	386,680
Service fees	474,077	183,141
Passport revenue	220,029	215,422
General donations and fundraising	184,703	126,267
	<u>8,396,897</u>	<u>9,046,220</u>
<b>Expenses</b>		
Wages and benefits	6,769,946	6,511,273
Building occupancy	380,808	418,916
Supplies and equipment	288,109	336,786
Travel and communication	161,568	126,745
Other program/service expenses	733,651	580,125
Amortization	160,074	107,871
	<u>8,494,156</u>	<u>8,081,716</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (97,259)</b>	<b>\$ 964,504</b>

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	2023	2022
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ (97,259)	\$ 964,504
Increase in designated and trust funds	(1,588)	4,363
Items not affecting cash:		
Amortization of capital assets	160,074	107,871
Amortization of deferred contributions	(73,280)	(59,034)
	(12,053)	1,017,704
Changes in non-cash working capital:		
Accounts receivable	319,830	93,364
Prepaid expenses	(24,265)	(7,259)
Accounts payable and accrued liabilities	(91,080)	346,954
Deferred revenue	53,098	(29,605)
	245,530	1,421,158
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(401,125)	(899,571)
Decrease (increase) in designated and trust funds balance	1,588	(4,363)
Purchase of investments	-	(400,000)
	(399,537)	(1,303,934)
<b>Cash flows from financing activities</b>		
Repayment of mortgage principal	(117,434)	(26,332)
Capital contributions received	547,870	127,627
	430,436	101,295
<b>Net increase in cash</b>	276,429	218,519
<b>Cash, beginning of the year</b>	647,922	429,403
<b>Cash, end of the year</b>	\$ 924,351	\$ 647,922

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

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# Hopewell Children's Homes Inc.

## Notes to Financial Statements

March 31, 2023

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### 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 "MCCSS"). 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 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

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

The 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.

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## Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2023

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### 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. Revenue is deferred if received or receivable before the related expense is incurred.

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 at initial recognition.

In subsequent periods, equities traded in an active market are recorded 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.

#### Short Term Investments

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

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## Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2023

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### 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 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.

	<b>Method</b>	<b>Rate</b>
Buildings	Straight-line	30 years
Building renovations	Straight-line	5 years
Parking lot	Straight-line	15 years
Pool	Straight-line	15 years
Vehicles	Straight-line	5 years
Storage shed	Straight-line	10 years
Furniture and equipment	Straight-line	5 years

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

#### 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.

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## Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2023

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### 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, 2023, \$NIL (2022 - \$NIL) of this facility has been accessed.

The Organization is required to maintain a minimum debt service ratio.

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### 3. Investments

Investments are comprised of the following:

	2023	2022
Guaranteed investment certificates	\$ 400,000	\$ 400,000
Less: Short-term investments	(300,000)	(200,000)
Long-term investments	<u>\$ 100,000</u>	<u>\$ 200,000</u>

Guaranteed investment certificates totaling \$400,000 bear interest at fixed rates from 1.85% to 4.25% (2022 - 1.60% to 2.10%) and have maturity dates of March 2024 to March 2025.

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## Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2023

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### 4. Capital Assets

	2023		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 299,457	\$ -	\$ 299,457
Buildings	2,299,629	472,954	1,826,675
Building renovations	860,952	473,846	387,106
Parking lot	110,059	14,675	95,384
Pool	129,230	111,998	17,232
Vehicles	325,727	279,545	46,182
Storage shed	24,509	24,509	-
Furniture and equipment	47,392	6,173	41,219
Capital in progress	23,499	-	23,499
	<b>\$ 4,120,454</b>	<b>\$ 1,383,700</b>	<b>\$ 2,736,754</b>

	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 299,457	\$ -	\$ 299,457
Buildings	2,299,629	439,962	1,859,667
Building renovations	464,265	391,272	72,993
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 and equipment	14,327	-	14,327
Capital in progress	52,127	-	52,127
	<b>\$ 3,719,330</b>	<b>\$ 1,223,626</b>	<b>\$ 2,495,704</b>

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### 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.

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**Hopewell Children's Homes Inc.**  
**Notes to Financial Statements**

**March 31, 2023**

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**6. Long-term Debt**

	<u>2023</u>	<u>2022</u>
CIBC - mortgage payable for 279 Stephanie Drive, Guelph, ON, repayable in blended monthly payments of \$1,161, interest calculated at 2.49%, paid in full during the year.	-	101,989
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 \$286,636.	<u>211,637</u>	<u>227,083</u>
Current portion	<u>211,637</u> <u>(15,837)</u>	<u>329,072</u> <u>(117,436)</u>
Long-term portion of debt	<u>\$ 195,800</u>	<u>\$ 211,636</u>

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

2024	15,837
2025	16,235
2026	<u>179,565</u>
	<u>\$ 211,637</u>

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## Hopewell Children's Homes Inc. Notes to Financial Statements

March 31, 2023

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

The Ministry of Children, Community and Social Services (the "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.

	2023	2022
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>

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### 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, 2023 including interest reinvested in the endowment is \$88,356 (2022 - \$89,901).

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### 9. Economic Dependence

The Organization receives 84.3% (2022 - 77.9%) 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.

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## Hopewell Children's Homes Inc. Notes to Financial Statements

**March 31, 2023**

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### 10. Deferred Contributions

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

	Opening Balance	Contributions	Recognized in Revenue	March 31, 2023
Ariss parking lot	\$ 72,053	\$ -	\$ 5,146	\$ 66,907
Fire renovations	42,821	-	42,821	-
Furniture	14,327	-	2,867	11,460
Generator - Hope Home	22,800	-	2,280	20,520
Windows - Hope Home	40,500	-	4,050	36,450
Pool	25,847	-	8,616	17,231
Snoezelen room	50,000	-	7,500	42,500
Sprinkler system - Stephanie	-	277,800	-	277,800
Sprinkler system - Wilton	-	243,600	-	243,600
Wheelchair van	-	26,470	-	26,470
	<u>\$ 268,348</u>	<u>\$ 547,870</u>	<u>\$ 73,280</u>	<u>\$ 742,938</u>

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### 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:

2024	\$ 94,628
2025	95,355
2026	96,810
2027	97,538
2028	98,993
Thereafter	<u>33,240</u>
	<u>\$ 516,564</u>

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## **Hopewell Children's Homes Inc. Notes to Financial Statements**

**March 31, 2023**

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### **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. This risk has decreased from the prior year as the impact the impact of COVID-19 has subsided.

#### **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. This risk has decreased from the prior year as the impact of COVID-19 has subsided.

#### **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.

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### **13. Comparative Figures**

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

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