

**HOPE'S HOME INCORPORATED**  
**Financial Statements**  
**Year Ended March 31, 2016**

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**HOPE'S HOME INCORPORATED**

**Index to Financial Statements**

**Year Ended March 31, 2016**

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## **Management's Responsibility for Financial Reporting**

The financial statements of Hope's Home Incorporated have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Hope's Home Incorporated 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Executive Committee. The Executive Committee is appointed by the Board and meets periodically with management and the directors' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Executive Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the directors, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by Cogent Chartered Professional Accountants LLP, an independent firm of Chartered Professional Accountants, in accordance with generally accepted auditing standards.

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Ms. Renae Hunter, Interim-Chairperson

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Ms. Jacqueline Tisher, Chief Executive Officer

Regina, SK  
June 27, 2016

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Hope's Home Incorporated

We have audited the accompanying financial statements of Hope's Home Incorporated, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many charitable entities, the organization derives revenue from fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

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Independent Auditor's Report to the Members of Hope's Home Incorporated *(continued)*

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Hope's Home Incorporated as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

We draw your attention to Note 13 of the financial statements which identifies financial statement adjustments. Our opinion has not been qualified in respect of these adjustments.

Weyburn, SK  
June 27, 2016

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Chartered Professional Accountants

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**HOPE'S HOME INCORPORATED**

**Statement of Financial Position**

**March 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 607,840	\$ 606,844
Accounts receivable	317,354	83,261
Inventory	3,640	5,252
Goods and services tax recoverable	23,369	29,035
Prepaid expenses	8,165	21,675
Security / tender deposits	35,949	123,900
	<u>996,317</u>	869,967
TANGIBLE CAPITAL ASSETS (Note 4)	2,978,901	1,936,535
INTANGIBLE ASSETS (Note 5)	20,000	-
	<u>\$ 3,995,218</u>	<u>\$ 2,806,502</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 6)	\$ 57,395	\$ 57,667
Accounts payable	121,221	122,969
Employee deductions payable	238,902	128,840
Wages payable	303,883	253,947
Interest payable	4,087	2,249
Deferred revenue (Note 7)	513,110	478,546
Current portion of long term debt (Note 9)	164,577	72,598
	<u>1,403,175</u>	1,116,816
LONG TERM DEBT (Note 9)	2,424,319	1,599,644
	<u>3,827,494</u>	2,716,460
<b>NET ASSETS</b>		
Unrestricted net assets	(729,262)	(654,712)
Restricted net assets	506,981	480,461
Invested in tangible capital assets	390,005	264,293
	<u>167,724</u>	90,042
	<u>\$ 3,995,218</u>	<u>\$ 2,806,502</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See notes to financial statements

**HOPE'S HOME INCORPORATED**  
**Statement of Operations**  
**For the Year Ended March 31, 2016**

	2016	2015
<b>REVENUE</b>		
Provincial grants	\$ 6,133,778	\$ 4,023,188
Daycare fees	1,014,036	892,129
Donations and fund raising	688,926	522,257
	<u>7,836,740</u>	<u>5,437,574</u>
<b>EXPENSES</b>		
Salaries and wages	5,809,709	3,930,276
Employee benefits	668,940	469,349
Fundraising	179,777	169,044
Rental	175,130	177,185
Amortization	162,225	134,509
Groceries	107,130	93,163
Interest on long term debt	93,006	75,909
Household supplies	66,612	38,591
Professional fees	53,709	41,361
Programming	49,325	53,454
Board and staff development	48,388	23,327
Utilities	39,268	31,653
Travel	38,361	23,963
Contracted services	30,367	21,017
Telephone	29,884	27,434
Supplies	29,406	20,067
Supportive living allowance	28,500	17,603
Insurance	28,477	27,497
Interest and bank charges	26,926	12,061
Office	21,710	20,149
Medical supplies	19,855	6,007
Repairs and maintenance	17,959	14,562
Property taxes	14,095	31,958
IT services	13,717	13,346
Vehicle	8,521	4,128
Bad debts	7,494	23,413
Equipment rentals	2,929	4,142
	<u>7,771,420</u>	<u>5,505,168</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>65,320</u>	<u>(67,594)</u>
<b>OTHER INCOME (EXPENSES)</b>		
Other income	12,362	23,906
Consulting fees	-	(332,177)
	<u>12,362</u>	<u>(308,271)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 77,682</u>	<u>\$ (375,865)</u>

**HOPE'S HOME INCORPORATED**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	Unrestricted Net Assets	Restricted Net Assets	Invested in Tangible Capital Assets	<b>2016</b>	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ (654,712)	\$ 480,461	\$ 264,293	<b>\$ 90,042</b>	\$ 465,907
Deficiency of revenue over expenses	332,913	-	(255,231)	<b>77,682</b>	(375,865)
Interfund transfers	(407,463)	26,520	380,943	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ (729,262)</b>	<b>\$ 506,981</b>	<b>\$ 390,005</b>	<b>\$ 167,724</b>	<b>\$ 90,042</b>

Restricted Net Assets is comprised of \$320,796 in capital development funding, \$176,564 in restricted donations, and \$9,621 in the organization's staff fund.

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**HOPE'S HOME INCORPORATED****Statement of Cash Flow****Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 77,682	\$ (375,865)
Item not affecting cash:		
Amortization of tangible capital assets	162,225	134,509
	<u>239,907</u>	<u>(241,356)</u>
Changes in non-cash working capital:		
Accounts receivable	(234,093)	28,268
Inventory	1,612	(5,252)
Accounts payable	(1,751)	(50,068)
Deferred revenue	34,564	475,753
Prepaid expenses	13,510	(15,786)
Goods and services tax payable	5,666	(2,977)
Security / tender deposits	87,951	(14,500)
Interest payable	1,838	(819)
Wages payable	49,936	146,808
Employee deductions payable	110,062	58,090
	<u>69,295</u>	<u>619,517</u>
Cash flow from operating activities	<u>309,202</u>	<u>378,161</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(1,204,590)	(116,482)
Purchase of intangible assets	(20,000)	-
Cash flow used by investing activities	<u>(1,224,590)</u>	<u>(116,482)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	1,017,408	1,254,399
Repayment of long term debt	(100,752)	(1,025,505)
Cash flow from financing activities	<u>916,656</u>	<u>228,894</u>
<b>INCREASE IN CASH FLOW</b>	<b>1,268</b>	<b>490,573</b>
Cash - beginning of year	<u>549,177</u>	<u>58,604</u>
<b>CASH - END OF YEAR</b>	<b>\$ 550,445</b>	<b>\$ 549,177</b>

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See notes to financial statements

# HOPE'S HOME INCORPORATED

## Notes to Financial Statements

Year Ended March 31, 2016

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1.

Hope's Home Incorporated (the "organization") is a not-for-profit organization incorporated in Saskatchewan under The Non-Profit Corporations Act, 1995. As a registered charity, the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization operates facilities and provides exceptional care for children with complex medical needs, through partnerships with provincial agencies, organizations and communities.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### Fund accounting

Hope's Home Incorporated follows the restricted fund method of accounting for contributions.

The Unrestricted Net Assets accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

Invested in Tangible Capital Assets reports the assets, liabilities, revenues and expenses related to Hope's Home Incorporated's capital assets and building expansion campaign.

The Restricted Net Assets accounts for the organization's internally and externally restricted contributions and activities.

### Revenue recognition

Hope's Home Incorporated follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Net Assets in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Net Assets in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

### Government assistance

Government assistance for current expenses is recorded as a recovery of expenses in revenue. Government assistance for acquiring tangible capital assets is recorded as a reduction of the cost of related assets.

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# HOPE'S HOME INCORPORATED

## Notes to Financial Statements

Year Ended March 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### Financial instruments policy

The organization's financial instruments consist of cash, accounts receivable, accounts payable and accruals, and debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

#### Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

#### Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives using the following rates and methods:

Land		non-amortizable
Buildings	20 years	straight-line method
Equipment	5 years	straight-line method
Motor vehicles	5 years	straight-line method
Computer equipment	5 years	straight-line method
Leasehold improvements	5 years and 20 years	straight-line method
Work in progress		non-amortizable

Additions in the year are amortized at one-half the above stated rates and no amortization is taken in the year of disposition.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

The organization regularly reviews its tangible capital assets to eliminate obsolete items. In addition, the organization capitalizes all capital asset acquisitions exceeding a \$1,000 cost threshold.

#### Indefinite-life intangible assets

Intangible assets consist mainly of costs related to licenses. These assets are tested for impairment annually or more frequently when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing their carrying value to estimates of their fair value based on estimates of discounted future cash flows or other valuation methods. When the fair value is determined to be less than carrying value, the resulting impairment is reported in the statement of operations.

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**HOPE'S HOME INCORPORATED**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

3. CASH

	<u>2016</u>	<u>2015</u>
Affinity Credit Union - Investor Savings	\$ 384,142	\$ 471,621
Affinity Credit Union - Max 3	92,721	24,542
Conexus Credit Union - Operating	65,215	12,953
Affinity Credit Union - Max 6	38,003	50,385
Affinity Credit Union - Max 7	9,426	3,494
Affinity Credit Union - Max 4	5,367	41,661
Affinity Credit Union - Max 1	5,015	906
Affinity Credit Union - Max 5	4,746	662
Affinity Credit Union - Max 8	2,585	-
Petty Cash - Programming	360	360
Petty Cash - Social	260	260
	<u>\$ 607,840</u>	<u>\$ 606,844</u>

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	<b>2016 Net book value</b>	2015 Net book value
Land	\$ 444,136	\$ -	\$ 444,136	\$ 306,558
Buildings	2,503,612	423,584	2,080,028	1,401,487
Equipment	86,012	45,511	40,501	34,275
Motor vehicles	269,515	87,586	181,929	-
Computer equipment	14,706	5,357	9,349	9,365
Furniture and fixtures	10,243	4,026	6,217	6,550
Leasehold improvements	248,424	72,373	176,051	129,339
Work in progress	40,690	-	40,690	48,961
	<u>\$ 3,617,338</u>	<u>\$ 638,437</u>	<u>\$ 2,978,901</u>	<u>\$ 1,936,535</u>

5. INTANGIBLE ASSETS

	<u>2016</u>	<u>2015</u>
Swinging With The Stars license	\$ 20,000	\$ -

Swinging With The Stars license agreement extends to the City of Regina only.

6. BANK INDEBTEDNESS

	<u>2016</u>	<u>2015</u>
Affinity Credit Union - Max 99	\$ (57,139)	\$ (55,109)
Affinity Credit Union - Max 2	(256)	(2,553)
Affinity Credit Union - Max 8	-	(5)
	<u>\$ (57,395)</u>	<u>\$ (57,667)</u>

Max 99 has an authorized overdraft limit of \$165,000, bearing interest at prime plus 1% per annum.

Max 2 has an authorized overdraft limit of \$5,000, bearing interest at prime plus 2.5% per annum.

# HOPE'S HOME INCORPORATED

## Notes to Financial Statements

Year Ended March 31, 2016

### 7. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Capital Development Funding - Saskatoon	\$ 320,796	\$ 320,796
Externally Restricted Donations	173,358	147,771
Prepaid Parent Fees	15,750	7,479
Other Restricted Donations	3,206	-
Deferred Tuition Funding	-	2,500
	<u>\$ 513,110</u>	<u>\$ 478,546</u>

### 8. LEASE COMMITMENTS

The organization has a long term lease with respect to its office and Regina Daycare premises.

The organization has a long term lease with respect to its old office premises.

The organization has a short term lease with respect to its 2 supportive living premises. It plans to have vacated these premises by June 1, 2016.

Future minimum lease payments as at March 31, 2016, are as follows:

	Office/Daycare	Old Office	Supportive Living	Total
2017	\$ 150,886	\$ 30,240	\$ 18,000	\$ 199,126
2018	150,886	12,600	-	163,486
2019	150,886	-	-	150,886
2020	150,886	-	-	150,886
2021	150,886	-	-	150,886
	<u>\$ 754,430</u>	<u>\$ 42,840</u>	<u>\$ 18,000</u>	<u>\$ 815,270</u>

# HOPE'S HOME INCORPORATED

## Notes to Financial Statements

Year Ended March 31, 2016

### 9. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Affinity Credit Union loan bearing interest at 3.38% per annum, repayable in monthly blended payments of \$4,739. The loan matured on September 9, 2039 and was secured by a land and building located at 339 Brookdale Crescent, Saskatoon, Saskatchewan.	\$ 920,707	\$ -
Affinity Credit Union loan bearing interest at 3.7% per annum, repayable in monthly blended payments of \$6,175. The loan matures on August 29, 2032 and is secured by a land and building located at 540 First Avenue East, Prince Albert, Saskatchewan.	910,536	949,636
Affinity Credit Union loan bearing interest at 4.04% per annum, repayable in monthly blended payments of \$3,061. The loan matures on January 15, 2032 and is secured by a land and building located at 350 College Avenue, Regina, Saskatchewan.	428,509	447,606
Community Forward Fund loan bearing interest at 5.75% per annum, repayable in monthly blended payments of \$6,427. The loan matures on December 1, 2019 and is secured by a land and building located at 350 College Avenue, Regina, Saskatchewan.	259,672	275,000
Daimler Truck Financial loan bearing interest at 4.5% per annum, repayable in monthly blended payments of \$1,378. The loan matures on November 25, 2020 and is secured by a Diamond Coach bus.	69,472	-
	<u>2,588,896</u>	1,672,242
Amounts payable within one year	<u>(164,577)</u>	<u>(72,598)</u>
	<u>\$ 2,424,319</u>	<u>\$ 1,599,644</u>

Principal repayment terms are approximately:

2017	\$ 164,577
2018	172,235
2019	180,266
2020	169,410
2021	111,656
Thereafter	1,790,752
	<u>\$ 2,588,896</u>

### 10. CONSULTING FEES

In 2015, the organization contracted a third party to consult on their Capital Campaign designed to expand Hope's Home Incorporated. Subsequent to the year end, the organization has terminated this contract and has instead signed a 5 year lease with regards to a future operating facility.

**HOPE'S HOME INCORPORATED**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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11. ECONOMIC DEPENDENCE

The organization is dependent on funding from various departments of the provincial government. Funding received in 2016 accounted for 78% (2015 - 74%) of total operating revenues. If this funding was to be discontinued or drastically altered, management is of the opinion that continued viable operations would be doubtful. It is management's opinion that no significant changes to funding will occur in the foreseeable future.

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12. GOVERNMENT ASSISTANCE

During 2016, the organization and the Province of Saskatchewan executed an agreement under which the Province shared the costs of certain capital and non-capital expenditures incurred by the organization in its operations to 2016.

Government assistance in the amount of \$562,272 was received during the year of which \$491,909 was applied to reduce the cost of tangible capital asset acquisitions and \$70,363 was recorded as expense recoveries under provincial grant revenue .

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13. Financial Statement Adjustments

Effect of Change on 2015 Statement of Financial Position and Statement of Operations

2015 Net Assets as previously reported	\$ 138,722
Less: decrease in accounts receivable	<u>(48,680)</u>
2015 Re-stated Net Assets	<u>90,042</u>
2015 Deficiency of Revenue over Expenses as previously reported	(327,184)
Less: decrease in grant revenues	<u>(48,680)</u>
2015 Re-stated Deficiency of Revenue over Expenses	<u>(375,864)</u>

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14. COMPARATIVE FIGURES

Certain of the comparative figures may have been reclassified to conform to the current year's presentation.

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