

HOPE'S HOME INCORPORATED
Financial Statements
Year Ended March 31, 2017

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Year Ended March 31, 2017

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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 Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit 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 members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Cogent Chartered Professional Accountants LLP, in accordance with Canadian accounting standards for not-for-profit organizations.



Ms. Renae Hunter, Chairperson



Ms. Jacqueline Tisher, Chief Executive Officer

Regina, SK
June 27, 2017

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INDEPENDENT AUDITOR'S REPORT

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, 2017 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 to 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.

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, 2017 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.

Weyburn, SK
June 29, 2017


Chartered Professional Accountants

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HOPE'S HOME INCORPORATED

Statement of Financial Position

March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (Note 3)	\$ 727,497	\$ 607,840
Accounts receivable	138,691	317,354
Inventory	2,588	3,640
Goods and services tax recoverable	7,368	23,369
Prepaid expenses	8,693	8,165
Security / tender deposits	14,674	35,949
	<u>899,511</u>	<u>996,317</u>
TANGIBLE CAPITAL ASSETS (Note 4)	2,770,697	2,978,901
INTANGIBLE ASSETS (Note 5)	20,000	20,000
	<u>\$ 3,690,208</u>	<u>\$ 3,995,218</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 6)	\$ 14	\$ 57,395
Accounts payable	55,721	121,221
Employee deductions payable	53,549	238,902
Wages payable	328,998	303,883
Interest payable	3,696	4,087
Deferred revenue	585,307	513,110
Current portion of long term debt (Note 9)	172,241	164,577
	<u>1,199,526</u>	<u>1,403,175</u>
LONG TERM DEBT (Note 9)	2,251,911	2,424,319
	<u>3,451,437</u>	<u>3,827,494</u>
NET ASSETS		
Unrestricted net assets	(641,646)	(729,262)
Restricted net assets	533,872	506,981
Invested in tangible capital assets	346,545	390,005
	<u>238,771</u>	<u>167,724</u>
	<u>\$ 3,690,208</u>	<u>\$ 3,995,218</u>

ON BEHALF OF THE BOARD




Director

Director

See notes to financial statements

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HOPE'S HOME INCORPORATED

Statement of Operations

Year Ended March 31, 2017

	2017	2016
REVENUES		
Provincial grants	\$ 6,388,159	\$ 6,133,778
Daycare fees	1,008,087	1,014,036
Donations and fund raising	353,898	688,926
	<u>7,750,144</u>	<u>7,836,740</u>
EXPENSES		
Salaries and wages	5,620,927	5,809,709
Employee benefits	661,806	668,940
Amortization	196,706	162,226
Rental	181,310	175,130
Groceries	103,311	107,130
Utilities	100,523	39,268
Interest on long term debt	96,216	93,006
Fundraising	91,449	179,777
Supplies	74,695	29,406
Contracted services	57,600	30,367
Household supplies	57,066	66,612
Supportive living allowance	47,704	28,500
Repairs and maintenance	46,120	17,959
Professional fees	43,771	53,709
Programming	41,825	49,325
Board and staff development	41,029	48,388
Telephone	31,639	29,884
Insurance	31,304	28,477
Property taxes	23,864	14,095
Office	23,145	21,710
Vehicle	20,086	8,521
Medical supplies	18,430	19,855
Interest and bank charges	17,500	26,926
Travel	16,229	38,361
IT services	7,773	13,717
Bad debts	7,153	7,494
Equipment rentals	2,843	2,929
	<u>7,662,024</u>	<u>7,771,420</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>88,120</u>	<u>65,320</u>
OTHER INCOME		
Expense recoveries	10,168	-
Other income	5,548	12,362
Loss on disposal of tangible capital assets	(32,789)	-
	<u>(17,073)</u>	<u>12,362</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 71,047</u>	<u>\$ 77,682</u>

See notes to financial statements

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HOPE'S HOME INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2017

	Unrestricted Net Assets	Restricted Net Assets	Invested in Tangible Capital Assets	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ (729,262)	\$ 506,981	\$ 390,005	\$ 167,724	\$ 90,042
Excess of revenues over expenses	363,969	-	(292,922)	71,047	77,682
Interfund transfers	(276,353)	26,891	249,462	-	-
NET ASSETS - END OF YEAR	\$ (641,646)	\$ 533,872	\$ 346,545	\$ 238,771	\$ 167,724

Restricted Net Assets is comprised of \$320,796 of capital development funding and \$213,076 of restricted donations.

Statement of Cash Flow

Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 71,047	\$ 77,682
Items not affecting cash:		
Amortization of tangible capital assets	196,706	162,225
Loss on disposal of tangible capital assets	32,789	-
	<u>300,542</u>	<u>239,907</u>
Changes in non-cash working capital:		
Accounts receivable	178,663	(234,093)
Inventory	1,052	1,612
Accounts payable	(65,500)	(1,751)
Deferred revenue	72,197	34,564
Prepaid expenses	(528)	13,510
Goods and services tax payable	16,001	5,666
Security / tender deposits	21,275	87,951
Interest payable	(391)	1,838
Wages payable	25,115	49,936
Employee deductions payable	(185,353)	110,062
	<u>62,531</u>	<u>69,295</u>
Cash flow from operating activities	<u>363,073</u>	<u>309,202</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(51,218)	(1,204,590)
Proceeds on disposal of tangible capital assets	29,927	-
Purchase of intangible assets	-	(20,000)
	<u>(21,291)</u>	<u>(1,224,590)</u>
Cash flow used by investing activities	<u>(21,291)</u>	<u>(1,224,590)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	1,017,408
Repayment of long term debt	(164,744)	(100,752)
	<u>(164,744)</u>	<u>916,656</u>
Cash flow from (used by) financing activities	<u>(164,744)</u>	<u>916,656</u>
INCREASE IN CASH FLOW	177,038	1,268
Cash - beginning of year	<u>550,445</u>	<u>549,177</u>
CASH - END OF YEAR	\$ 727,483	\$ 550,445

See notes to financial statements

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Notes to Financial Statements

Year Ended March 31, 2017

1. PURPOSE OF THE ORGANIZATION

Hope's Home Incorporated (the "organization") is a not-for-profit organization incorporated provincially under the Non-Profit Corporations Act of Saskatchewan. 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.

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 (ASNFPO).

Fund accounting

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

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.

Restricted Net Assets reports resources contributed for specific internal or external projects or 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 in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue 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 acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred.

(continues)

Notes to Financial Statements

Year Ended March 31, 2017

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

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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. Tangible capital assets 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

The organization regularly reviews its tangible capital assets to eliminate obsolete items. In addition, the organization has set a cost threshold of \$5,000 for any newly acquired assets to be capitalized.

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

Intangible assets

The license rights have an indefinite life and for this reason are not being amortized. They will be tested for impairment on an annual basis or more frequently when events or changes in circumstances indicate that they might have sustained an impairment. If fair value is determined to be less than carrying value, the resulting impairment is reported in the statement of operations.

Notes to Financial Statements

Year Ended March 31, 2017

3. CASH AND CASH EQUIVALENTS

	2017	2016
<u>Unrestricted</u>		
Conexus Credit Union - Operating	\$ 9,710	\$ 65,216
Affinity Credit Union - Max 1	329	5,015
Affinity Credit Union - Max 4	37,567	5,367
Affinity Credit Union - Max 5	2,266	4,746
Affinity Credit Union - Max 6	18,289	38,003
Affinity Credit Union - Max 7	5,288	9,426
Affinity Credit Union - Max 8	1,104	2,585
Affinity Credit Union - Max 99	94,103	-
Petty Cash - Programming	728	360
Petty Cash - Social	260	260
Subtotal	<u>169,644</u>	<u>130,978</u>
<u>Restricted</u>		
Affinity Credit Union - Investor Savings	458,386	384,141
Affinity Credit Union - Max 3	99,467	92,721
	<u>\$ 727,497</u>	<u>\$ 607,840</u>

Cash and cash equivalents is made up of balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 444,135	\$ -	\$ 444,135	\$ 444,136
Buildings	2,503,612	548,765	1,954,847	2,080,028
Equipment	120,512	62,325	58,187	40,501
Motor vehicles	269,515	128,015	141,500	181,929
Computer equipment	14,706	8,298	6,408	9,349
Furniture and fixtures	10,243	6,075	4,168	6,217
Leasehold improvements	194,228	43,539	150,689	176,051
Work in progress	10,763	-	10,763	40,690
	<u>\$ 3,567,714</u>	<u>\$ 797,017</u>	<u>\$ 2,770,697</u>	<u>\$ 2,978,901</u>

5. INTANGIBLE ASSETS

	2017	2016
Swinging With The Stars license	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The Organization has a license, in perpetuity, that is inclusive of the City of Regina only. The first actual event took place in May 2017. The future value of the asset will be assessed annually based on the likelihood of the project continuing going forward.

Notes to Financial Statements

Year Ended March 31, 2017

6. BANK INDEBTEDNESS

	2017	2016
Affinity Credit Union - Max 2	\$ 14	\$ 256
Affinity Credit Union - Max 99	-	57,139
	<u>\$ 14</u>	<u>\$ 57,395</u>

Max 2 account has an authorized overdraft limit of \$5,000 and bears interest at prime plus 2.50% per annum.

Max 99 account has an authorized overdraft limit of \$165,000 and bears interest at prime plus 1.00% per annum.

7. DEFERRED REVENUE

	2017	2016
Capital Development Funding - Saskatoon	\$ 320,796	\$ 320,796
Externally restricted donations	205,506	173,358
Prepaid parent fees	55,799	15,750
Other restricted donations	3,206	3,206
	<u>\$ 585,307</u>	<u>\$ 513,110</u>

8. LEASE COMMITMENTS

The organization has a long term lease with respect to its office and Regina Daycare premises at 2200 - 25th Avenue. Hope's Home is in negotiations with Nicor Group regarding this lease and a proposed increase related to the new BOMA measurements and standards that would be retroactive to April 1, 2017. At the time of the audit, and issuance of these statements, the negotiations were still ongoing so no adjustment has been made to the estimated future lease payments shown in this note.

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

The organization had a short term lease with respect to its two supportive living premises. It vacated these premises on June 1, 2016.

Future minimum lease payments as at March 31, 2017, are as follows:

	Office and Daycare	Old Office	Supportive Living	Total
2018	\$ 150,886	\$ 12,600	\$ -	\$ 163,486
2019	150,886	-	-	150,886
2020	150,886	-	-	150,886
2021	150,886	-	-	150,886
2022	150,886	-	-	150,886
	<u>\$ 754,430</u>	<u>\$ 12,600</u>	<u>\$ -</u>	<u>\$ 767,030</u>

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HOPE'S HOME INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2017

9. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
Affinity Credit Union loan bearing interest at 3.38% per annum, repayable in monthly blended payments of \$4,739. The loan matures on September 9, 2039 and is secured by land and building located at 339 Brookdale Crescent, Saskatoon, Saskatchewan.	\$ 894,586	\$ 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 land and building located at 540 First Avenue East, Prince Albert, Saskatchewan.	869,463	910,536
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 land and building located at 350 College Avenue, Regina, Saskatchewan.	408,585	428,509
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 land and building located at 350 College Avenue, Regina, Saskatchewan.	195,737	259,672
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.	<u>55,781</u>	<u>69,472</u>
	2,424,152	2,588,896
Amounts payable within one year	<u>(172,241)</u>	<u>(164,577)</u>
	<u>\$ 2,251,911</u>	<u>\$ 2,424,319</u>

Principal repayment terms are approximately:

2018	\$ 172,241
2019	180,273
2020	169,323
2021	111,664
2022	104,603
Thereafter	<u>1,686,048</u>
	<u>\$ 2,424,152</u>

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HOPE'S HOME INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2017

10. ECONOMIC DEPENDENCE

The organization is dependent on funding from various departments of the Saskatchewan Provincial Government. Funding received in 2017 accounted for 82% (2016 - 78%) of total operating revenues. If this funding was discontinued or substantially changed, management is of the opinion that continued viable operations would be doubtful. Management does not anticipate any significant changes to funding for the foreseeable future.

11. COMPARATIVE FIGURES

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