

HOPE'S HOME INCORPORATED

FINANCIAL STATEMENTS

MARCH 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **Hope's Home Incorporated** have been prepared by the Organization's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

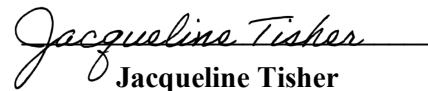
To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Board of Directors have reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.



Janet Cook
Board Chair



Jacqueline Tisher
Chief Executive Officer



INDEPENDENT AUDITORS' REPORT

**To the Board of Directors,
Hope's Home Incorporated**

Qualified Opinion

We have audited the financial statements of **Hope's Home Incorporated**, which comprise the statement of financial position as at March 31, 2022, and 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 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 Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives a portion of its revenue in the form of donations, 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 are not able to determine whether any adjustments might be necessary to revenues, expenses or net assets.

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 Saskatchewan, 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 opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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.

INDEPENDENT AUDITORS' REPORT continued

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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 20, 2022
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants



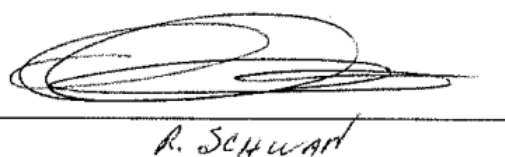
HOPE'S HOME INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022
(with comparative figures for 2021)

	General Fund	Restricted Fund	Capital Fund	2022	2021
Assets					
Current assets					
Cash (Note 3)	\$ 3,598,141	\$ 526,804	\$ -	\$ 4,124,945	\$ 3,464,148
Accounts receivable	407,248	-	-	407,248	377,254
Good and services tax recoverable	44,580	-	-	44,580	38,924
Prepaid expenses	90,084	-	-	90,084	120,506
Deposits	12,274	-	-	12,274	12,274
	<u>4,152,327</u>	<u>526,804</u>	<u>-</u>	<u>4,679,131</u>	<u>4,013,106</u>
Tangible capital assets (Note 4)	-	-	3,388,790	3,388,790	3,373,776
Intangible assets (Note 5)	-	-	20,000	20,000	20,000
	<u>\$ 4,152,327</u>	<u>\$ 526,804</u>	<u>\$ 3,408,790</u>	<u>\$ 8,087,921</u>	<u>\$ 7,406,882</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 411,184	\$ 9,757	\$ -	\$ 420,941	\$ 252,991
Employee deductions payable	108,322	-	-	108,322	76,373
Wages payable	558,563	-	-	558,563	587,005
Interest payable	-	-	2,700	2,700	2,809
Deferred revenue (Note 7)	225,740	347,050	-	572,790	528,041
Current portion of long term debt (Note 8)	-	-	94,505	94,505	90,567
	<u>1,303,809</u>	<u>356,807</u>	<u>97,205</u>	<u>1,757,821</u>	<u>1,537,786</u>
Long term debt (Note 8)	-	-	1,687,300	1,687,300	1,782,419
	<u>1,303,809</u>	<u>356,807</u>	<u>1,784,505</u>	<u>3,445,121</u>	<u>3,320,205</u>
Net Assets					
Invested in tangible capital assets	-	-	1,624,285	1,624,285	1,517,981
Restricted	-	169,997	-	169,997	50,000
Unrestricted	2,848,518	-	-	2,848,518	2,518,696
	<u>2,848,518</u>	<u>169,997</u>	<u>1,624,285</u>	<u>4,642,800</u>	<u>4,086,677</u>
	<u>\$ 4,152,327</u>	<u>\$ 526,804</u>	<u>\$ 3,408,790</u>	<u>\$ 8,087,921</u>	<u>\$ 7,406,882</u>

See accompanying notes to the financial statements.

On behalf of the Board:





HOPE'S HOME INCORPORATED
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	General Fund	Restricted Fund	Capital Fund	2022	2021
Net assets - beginning of year	\$2,518,696	\$ 50,000	\$ 1,517,981	\$ 4,086,677	\$ 2,512,676
Excess (deficiency) of revenue over expenses	459,220	447,100	(350,197)	556,123	1,574,001
Tangible capital asset purchases	(23,519)	(271,134)	294,653	-	-
Repayment of long term debt	(161,848)	-	161,848	-	-
Externally restricted transfers	55,969	(55,969)	-	-	-
Net assets - end of year	\$2,848,518	\$ 169,997	\$ 1,624,285	\$ 4,642,800	\$ 4,086,677

See accompanying notes to the financial statements.

HOPE'S HOME INCORPORATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	General Fund	Restricted Fund	Capital Fund	2022	2021
Revenue					
Daycare fees	\$ 2,319,049	\$ -	\$ -	\$ 2,319,049	\$ 1,804,423
Donations and fundraising	751,647	447,100	-	1,198,747	540,073
Provincial grants	9,746,253	-	-	9,746,253	9,401,033
	<u>12,816,949</u>	<u>447,100</u>	<u>-</u>	<u>13,264,049</u>	<u>11,745,529</u>
Expenses					
Administration costs	218,027	-	-	218,027	158,717
Bad debts	2,333	-	-	2,333	20,354
Bank fees and charges	53,751	-	-	53,751	46,309
Direct operations costs	669,816	-	-	669,816	627,975
Fundraising costs	198,075	-	-	198,075	63,661
Occupancy costs	504,755	-	350,197	854,952	852,339
Professional services	322,057	-	-	322,057	250,731
Wages and benefits	10,572,958	-	-	10,572,958	9,780,558
	<u>12,541,772</u>	<u>-</u>	<u>350,197</u>	<u>12,891,969</u>	<u>11,800,644</u>
Excess (deficiency) of revenue over expenses from operations	275,177	447,100	(350,197)	372,080	(55,115)
Other revenue and expenses					
Other revenue	147,709	-	-	147,709	116,060
Government pandemic subsidies	36,334	-	-	36,334	1,513,056
	<u>184,043</u>	<u>-</u>	<u>-</u>	<u>184,043</u>	<u>1,629,116</u>
Excess (deficiency) of revenue over expenses	<u>\$ 459,220</u>	<u>\$ 447,100</u>	<u>\$ (350,197)</u>	<u>\$ 556,123</u>	<u>\$ 1,574,001</u>

See accompanying notes to the financial statements.

HOPE'S HOME INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash provided by (used in) operating activities:		
Excess of revenue over expenses	\$ 556,123	\$ 1,574,001
Items not involving cash		
- Amortization of tangible capital assets	279,639	265,624
	835,762	1,839,625
Change in non-cash operating working capital		
Accounts receivable	(29,992)	(82,202)
Goods and services tax payable/receivable	(5,656)	(14,742)
Prepaid expenses	30,422	886
Deposits	-	1,769
Accounts payable	167,950	(125,374)
Employee deductions payable	31,949	28,626
Wages payable	(28,442)	181,967
Interest payable	(109)	(2,518)
Deferred revenue	44,749	(119,913)
	210,871	(131,501)
	1,046,633	1,708,124
Cash provided by (used in) investing activities:		
Purchase of tangible capital assets	(294,654)	(288,503)
	(294,654)	(288,503)
Cash provided by (used in) financing activities:		
Repayment of long term debt	(91,182)	(61,069)
	(91,182)	(61,069)
Increase in cash	660,797	1,358,552
Cash position - beginning of year	3,464,148	2,105,596
Cash position - end of year	\$ 4,124,945	\$ 3,464,148

See accompanying notes to the financial statements.

HOPE'S HOME INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

1. Nature of operations

Hope's Home Incorporated (the "Organization") is a not-for-profit organization incorporated provincially under the *Non-profit Corporations Act, 1995* in 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 provides childcare for children with complex medical needs and their siblings, as well as other children from the community, through partnerships with provincial agencies, organizations and communities.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and the financial statements reflect the following policies. The financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and any restricted operating grants.

The Restricted Fund accounts for the Organization's externally restricted funds received which are designated for a specific purpose.

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

Financial instruments

Financial assets and financial liabilities are recorded on the statement of financial position when the Organization becomes party to the contractual provisions of the financial instrument. The Organization initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in excess of revenue over expenses. When there is an indication of impairment the carrying amount of financial assets measured at amortized cost may be reduced. Such impairments can be subsequently reversed if the value improves.

HOPE'S HOME INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

2. Summary of significant accounting policies continued

Financial instruments continued

The Organization's recognized financial instruments consists of cash, accounts receivable, bank indebtedness, accounts payable, accrued liabilities and long term debt. The recorded value of these items approximates fair value due to their short term nature and the terms of the loans.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the assets at the following annual rates:

Buildings	20 years
Equipment	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years
Leasehold improvements	5 and 20 years

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 available to use, are not amortized until they are placed into use.

Intangible asset

The intangible asset has an indefinite life and is not amortized. It is tested for impairment on an annual basis if changes in circumstances indicate 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. No impairments have been recognized.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Restricted contributions, including grant funding, related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Daycare fees are recognized in the period the childcare services are provided. Donation and fundraising revenues are recorded as they are received. Revenues from events are recognized when the event occurs. Donations of materials are recorded in revenue at fair value when they otherwise would have been purchased and when fair value can reasonably be estimated, as at the date received.

HOPE'S HOME INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

3. Cash

	2022	2021
Operating funds	\$ 3,598,141	\$ 2,977,262
Restricted Fund	526,804	486,886
	\$ 4,124,945	\$ 3,464,148

Cash is made up of deposit balances with banks and petty cash funds held for sundry purchases. Cash subject to restrictions that prevent its use for general purposes is included in restricted cash.

4. Tangible capital assets

	2022		2021	
	Cost	Accumulated Amortization	Net Book value	Net Book value
Land	\$ 444,135	\$ -	\$ 444,135	\$ 444,135
Building	3,617,155	1,299,232	2,317,923	2,392,073
Equipment	155,477	141,723	13,754	29,672
Motor vehicles	421,195	273,637	147,558	40,022
Computer equipment	113,843	67,106	46,737	51,325
Furniture and fixtures	26,398	13,666	12,732	2,678
Leasehold improvements	499,624	148,189	351,435	316,998
Work in progress	54,516	-	54,516	96,873
	\$ 5,332,343	\$ 1,943,553	\$ 3,388,790	\$ 3,373,776

5. Intangible asset

	2022	2021
Swinging With The Stars license	\$ 20,000	\$ 20,000

6. Credit facilities

Affinity Credit Union – Max 99 account has an authorized overdraft limit of \$165,000 bearing interest at prime plus 1.00%. At March 31, 2022, \$Nil was drawn (2021 - \$Nil). Authorized credit cards have a limit of \$50,000. As of March 31, 2022, \$585 was drawn (2021 - \$11,424).

HOPE'S HOME INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

7. Deferred revenue

	2022	2021
Capital development funding - Saskatoon	\$ 347,050	\$ 347,050
Deferred fundraising revenues	-	1,450
Deferred daycare fees	117,321	113,041
Grants	108,419	66,500
	\$ 572,790	\$ 528,041

8. Long term debt

	2022	2021
Affinity Credit Union loan bearing interest at 3.99% per annum, repayable in monthly blended payments of \$4,656. The loan matures on June 9, 2023 and is secured by land and building located at 339 Brookdale Crescent, Saskatoon, Saskatchewan, which has a carrying value of \$668,437.	\$ 792,790	\$ 816,766
Affinity Credit Union loan bearing interest at 4.09% per annum, repayable in monthly blended payments of \$6,007. The loan matures on June 29, 2023 and is secured by land and building located at 540 First Avenue East, Prince Albert, Saskatchewan, which has a carrying value of \$1,753,453.	681,925	725,386
Affinity Credit Union loan bearing interest at 4.04% per annum, repayable in monthly blended payments of \$3,100. The loan matures on December 15, 2023 and is secured by land and building located at 350 College Avenue, Regina, Saskatchewan, which has a carrying value of \$340,168.	307,090	330,834
	1,781,805	1,872,986
Amount payable within one year	(94,505)	(90,567)
	\$1,687,300	\$1,782,419

During fiscal 2021, the Organization deferred the principal payments on the above loans for three months due to the pandemic. The accrued interest on these payments was paid as incurred. The deferred principal payments will be added to the end of the loan term and are reflected in the schedule below.

Principal repayment due in the next five years:

2023	\$ 94,505
2024	97,447
2025	101,523
2026	105,772
2027	110,197
	\$ 509,444

HOPE'S HOME INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
(with comparative figures for the year ended March 31, 2021)

9. Commitments

The Organization leases premises under an agreement requiring aggregate minimum payments over the next five years as follows:

2023	\$ 350,868
2024	350,868
2025	350,868
2026	350,868
2027	350,868
	<u>\$ 1,754,341</u>

10. Economic dependence

The Organization currently receives significant funding from the province of Saskatchewan. Funding received in 2021 accounted for 72% (2021 - 70%) of total operating revenues. As a result, the Organization is dependent on the continuance of these grants to maintain operations at its current level of activity.

11. Financial risk management

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Organization is exposed are:

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 on the accounts receivable from its customers, however, does not have a significant exposure to any individual customer or counterpart. In order to reduce its credit risk, the Organization has adopted credit policies to mitigate the risk of lost revenue.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the receipt of funds from its operations, external funders and external financing, if required. Funds from these sources are primarily used to finance working capital and operational expenses and are considered adequate to meet the Organization's financial obligations.

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 is exposed to interest rate risk primarily through the lines of credit as they carry a variable interest rate. The long term debt is at fixed rates and thus, are not subject to interest rate risk.

HOPE'S HOME INCORPORATED
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

Schedule 1: Supportive Living Operations

	Durham	Lakeview	PA Supportive	Saskatoon	Total
Revenue					
Supportive living operations	\$ 1,063,180	\$ 1,698,200	\$ 1,976,393	\$ 2,054,295	\$ 6,792,068
Other revenue	-	83,993	-	185,085	269,078
	<u>1,063,180</u>	<u>1,782,193</u>	<u>1,976,393</u>	<u>2,239,380</u>	<u>7,061,146</u>
Expenses					
Administrative costs	11,965	12,625	20,213	14,953	59,756
Bank fees and charges	1,627	1,627	-	13	3,267
Direct operations costs	64,965	74,035	84,441	109,786	333,227
Occupancy costs	45,782	45,861	117,546	117,766	326,955
Professional services	4,093	4,305	2,399	1,189	11,986
Wages and benefits	1,278,543	1,380,123	1,736,710	2,102,202	6,497,578
Total expenses before management expenses	<u>1,406,975</u>	<u>1,518,576</u>	<u>1,961,309</u>	<u>2,345,909</u>	<u>7,232,769</u>
Total surplus (deficit) before fundraising allocation	(343,795)	263,617	15,084	(106,529)	(171,623)
Fundraising revenue allocation	7,196	777	7,033	7,978	22,984
Net surplus (deficit)	<u>\$ (336,599)</u>	<u>\$ 264,394</u>	<u>\$ 22,117</u>	<u>\$ (98,551)</u>	<u>\$ (148,639)</u>

HOPE'S HOME INCORPORATED
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

Schedule 2: Ministry of Social Services Funded Reserves

	College Avenue			Saskatoon			Prince Albert			Supportive
	Maintenance	Equipment	Furnishings	Maintenance	Equipment	Furnishings	Maintenance	Equipment	Furnishings	Living
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,265	\$ -	\$ -	\$ 564	\$ -
Approved by MSS	2,200	2,200	2,200	1,100	1,100	1,100	1,100	1,100	1,100	22,415
Total expenses	<u>(2,200)</u>	<u>(2,200)</u>	<u>-</u>	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,664</u>	<u>\$ 22,415</u>