HOPEWELL CHILDREN'S HOMES INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

HOPEWELL CHILDREN'S HOMES INC.

INDEX TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2024

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Hopewell Children's Homes Inc.

Qualified Opinion
We have audited the accompanying financial statements of Hopewell Children's Homes Inc., which comprise the statement of financial position as at March 31, 2024 and the statements of changes in net assets, operations 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 paragraph, these financial statements present fairly, in all material respects, the financial position of Hopewell Children's Homes Inc. as at March 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the Ministry of Children, Community and Social Services as disclosed in Notes 2 and 3.

Basis for Qualified Opinion
In common with many charitable organizations, the organization derives some of its revenues from donations and fundraising activities, 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 revenue, excess of revenue over expenditures and cash flows from operations for the year ended March 31, 2024, current assets as at March 31, 2024, and net assets as at April 1, 2023 and March 31, 2024. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2023 was modified because of the possible effects of a similar limitation in scope.

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 Hopewell Children's Homes Inc. 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.

Predecessor auditor
The financial statements of Hopewell Children's Homes Inc. for the year ended March 31, 2023 were audited by the predecessor auditor who expressed a qualified opinion on those financial statements on June 20, 2023 for reasons described in the Basis for Qualified Opinion paragraph.

Basis of Accounting and Restriction on Use
We draw attention to Notes 2 and 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Hopewell Children's Homes Inc. to meet the requirements of the Ministry of Children, Community and Social Services. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the use of the Directors of Hopewell Children's Homes Inc. and the Ministry of Children, Community and Social Services and should not be used by parties other than the Directors of Hopewell Children's Homes Inc. or the Ministry of Children, Community and Social Services. Our opinion is not qualified in respect of this matter.

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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 generally accepted accounting principles 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 a 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 judgement 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 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.

RLB LLP

Guelph, Ontario
June 12, 2024

Chartered Professional Accountants
Licensed Public Accountants

HOPEWELL CHILDREN'S HOMES INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2024

	2024	2023
A S S E T S		
CURRENT		
Cash	$ 1,369,528	$ 924,351
Guaranteed investment certificates	100,000	300,000
Accounts receivable	234,006	246,876
Prepaid expenses	19,909	81,502
	1,723,443	1,552,729
CAPITAL ASSETS (note 5)	3,247,713	2,736,754
GUARANTEED INVESTMENT CERTIFICATES	0	100,000
DESIGNATED AND TRUST FUNDS (note 6)	122,073	99,213
	$ 5,093,229	$ 4,488,696
L I A B I L I T I E S		
OPERATING FUND		
CURRENT		
Accounts payable and accrued liabilities	$ 1,115,548	$ 665,582
Deferred income	49,481	67,258
Current portion of long term debt (note 8)	16,235	15,837
	1,181,264	748,677
LONG TERM DEBT (note 8)	179,565	195,800
MINISTRY OF COMMUNITY AND SOCIAL SERVICES GRANT (note 7)	875,324	875,324
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	882,465	742,938
	3,118,618	2,562,739
F U N D B A L A N C E S		
Internally Restricted Invested in Capital Assets	1,294,124	906,855
Externally Restricted Designated and Trust (note 6)	122,073	99,213
Unrestricted	558,414	919,889
	1,974,611	1,925,957
	$ 5,093,229	$ 4,488,696

See notes to the financial statements

HOPEWELL CHILDREN'S HOMES INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2024

	Internally Restricted Invested in Capital Assets	Externally Restricted Designated and Trust	Unrestricted	2024 Total	2023 Total
BALANCE, beginning of year	$ 906,855	$ 99,213	$ 919,889	$ 1,925,957	$ 2,024,804
(Deficiency) excess of revenue over expenditures	(125,717)	0	151,511	25,794	(97,259)
Net investment in capital assets in the year	497,149	0	(497,149)	0	0
Repayment of mortgage principal	15,837	0	(15,837)	0	0
Designated and Trust:					
- expenditures	0	(47,297)	0	(47,297)	(114,265)
- contributions and interest	0	70,157	0	70,157	112,677
BALANCE, end of year	$ 1,294,124	$ 122,073	$ 558,414	$ 1,974,611	$ 1,925,957

See notes to the financial statements

HOPEWELL CHILDREN'S HOMES INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
REVENUE		
MCCSS operating subsidies	$ 7,460,712	$ 6,501,384
COVID related subsidies	8,557	538,513
Deferred capital contribution revenue recognized	58,641	73,280
Passport funding	336,015	220,029
General donations, fundraising and other	258,542	184,703
Recoveries	461,792	404,911
Service fees	1,027,503	474,077
	9,611,762	8,396,897
EXPENDITURES		
Wages and benefits	7,243,990	6,769,946
Other program/service expenses	1,066,425	733,651
Building occupancy	563,988	380,808
Supplies and equipment	345,196	288,109
Amortization	184,358	160,074
Travel and communication	182,011	161,568
TOTAL EXPENDITURES	9,585,968	8,494,156
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES for the year	$ 25,794	$ (97,259)

See notes to the financial statements

HOPEWELL CHILDREN'S HOMES INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	$ 25,794	$ (97,259)
Increase in designated and trust funds	(22,860)	(1,588)
Add: Items not requiring an outlay of cash		
Amortization	184,358	160,074
Deferred capital contribution revenue recognized	(58,641)	(73,280)
	128,651	(12,053)
Net change in non-cash operational balances		
Accounts receivable	12,870	319,830
Prepaid expenses	61,593	(24,265)
Accounts payable and accrued liabilities	449,966	(91,080)
Deferred revenue	(17,777)	53,098
	635,303	245,530
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	(695,317)	(401,125)
Decrease (increase) in designated and trust funds balance	22,860	1,588
Maturity of investments	300,000	0
	(372,457)	(399,537)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Repayment of mortgage principal	(15,837)	(117,434)
Capital contributions received	198,168	547,870
	182,331	430,436
NET CHANGE IN CASH	445,177	276,429
CASH, beginning of year	924,351	647,922
CASH, end of year	$ 1,369,528	$ 924,351

See notes to the financial statements

1. NATURE OF ORGANIZATION

Hopewell Children's Homes Inc. is a provincial not-for-profit organization incorporated without share capital and is a registered charity under the Income Tax Act. Hopewell Children's Homes Inc. is exempt from income tax. Its purpose is to provide residential, respite, and recreational services for children and adults with multiple and complex needs.

2. 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 cost. Therefore, this portion of the property is not amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) FUND ACCOUNTING

The invested in capital assets fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets. This fund is internally restricted.

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. This fund is externally restricted.

The unrestricted fund reports the donations, fundraising and recoveries received against operations and administration of the organization.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) REVENUE AND EXPENDITURES

The organization follows the deferral method of accounting for contributions. Externally restricted contributions, comprised of specified donations and government grant revenue are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

Recoveries are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Service fees are recognized as earned and collection is reasonably assured.

(c) FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, unless otherwise noted below.

Impairment
For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there are, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Transaction costs
Transaction costs attributable to financial instruments subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

Buildings	- 30 years straight-line basis
Building renovations	- 5 years straight-line basis
Roof	- 15 years straight-line basis
Furniture and equipment	- 5 years straight-line basis
Pool	- 15 year straight-line basis
Vehicles	- 5 year straight-line basis
Storage shed	- 10 year straight-line basis
Parking lot	- 15 years straight-line basis

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

Amortization is taken on a prorated basis in the year of acquisition.

(e) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

Contributed materials, used in the normal course of operations, are recognized in the financial statements when the fair value can be reasonably estimated and the materials would otherwise have been purchased.

(f) 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 revenues and expenses during the year. Significant estimates made by management include the useful lives of capital assets and deferred capital contributions. Actual results could differ from those estimates.

4. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from its financial instruments.

The extent of the organization's exposure to these risks did not change in 2024 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2024	Net 2023
Land	$ 299,457	$ 0	$ 299,457	$ 299,457
Buildings	2,299,629	514,067	1,785,562	1,826,675
Building renovations	1,405,129	569,395	835,734	387,106
Roof	112,250	4,471	107,779	0
Furniture and equipment	89,534	20,355	69,179	41,219
Pool	129,230	120,614	8,616	17,232
Vehicles	325,727	292,636	33,091	46,182
Storage shed	24,509	24,509	0	0
Parking lot	110,059	22,012	88,047	95,384
Capital in progress	20,248	0	20,248	23,499
	$ 4,815,772	$ 1,568,059	$ 3,247,713	$ 2,736,754

6. 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.

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.

	2024	2023
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
	$ 875,324	$ 875,324

8. LONG-TERM DEBT

	2024	2023
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.	$ 195,800	$ 211,637
Less: Current portion	(16,235)	(15,837)
	$ 179,565	$ 195,800

Future minimum payments on other long term debt are as follows:

2025	$ 16,235
2026	179,565
	$ 195,800

9. COMMITMENTS

The organization has various operating leases for the premises, furniture and equipment. Future minimum lease payments are as follows:

2025	$ 84,057
2026	67,515
2027	51,011
2028	52,545
2029	26,660
	$ 281,788

10. ENDOWMENT FUND

Hopewell Children's Homes Inc. established an Endowment Fund through The Guelph Community Foundation. The Guelph Community Foundation invests contributions to the fund in accordance with its investment policy and provisions of its Asset Management Plan. Changes in value during the year were as follows:

Balance, beginning of year	$ 81,877
Increase in value of investments	5,007
Balance, end of year	$ 86,884

11. DEFERRED CAPITAL CONTRIBUTIONS

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

	Opening Balance	Contributions (Recoveries)	Recognized in Revenue	2024
Ariss parking lot	$ 66,907	$ 0	$ 5,147	$ 61,760
Furniture	11,460	0	2,865	8,595
Equipment - Hope Home	0	32,469	3,255	29,214
Gas Meter - Hope Home	0	9,673	1,449	8,224
Generator - Hope Home	20,520	0	4,560	15,960
Grange renovations	0	26,349	444	25,905
Windows - Hope Home	36,450	0	8,100	28,350
Pool	17,231	0	8,615	8,616
Roof - Hope Home	0	112,250	4,471	107,779
Snoezelen room	42,500	0	10,000	32,500
Sprinkler system - Elmira	0	14,148	0	14,148
Sprinkler system - Stephanie	277,800	(20,204)	4,294	253,302
Sprinkler system - Wilton	243,600	(90)	4,063	239,447
Wheelchair van	26,470	750	0	27,220
Windows - Grange	0	6,100	0	6,100
Windows - Hope Home	0	16,723	1,378	15,345
	$ 742,938	$ 198,168	$ 58,641	$ 882,465

12. ECONOMIC DEPENDENCE

The organization is economically dependent on the MCCSS as the organization receives the majority of funding from this ministry.