

HEARTHSTONE COMMUNITY GROUP INC.

Financial Statements

For the year ended March 31, 2019

HEARTHSTONE COMMUNITY GROUP INC.

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For the year ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Hearthstone Community Group Inc.

Opinion

We have audited the financial statements of Hearthstone Community Group Inc. (the Organization), which comprise the statement of financial position as at March 31, 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Restated Comparative Information

The financial statements of the organization for the year ended March 31, 2018 excluding the adjustments that were applied to restate certain comparative information as explained in Note 11 were audited by another auditor who expressed a qualified opinion on those financial statements on September 20, 2018 because certain capital expenditures were expensed and not capitalized which constituted a departure from Canadian accounting standards for not-for-profit organizations. This qualification is not necessary in the current year as the statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

As part of our audit of the financial statements for the year ended March 31, 2019, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended March 31, 2018. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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.

(continues)

Independent Auditor's Report to the Members of Hearthstone Community Group Inc. *(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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Selkirk, Manitoba
September 17, 2019

Stewart & Associates
Chartered Professional Accountants Inc.

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Financial Position

As at March 31, 2019

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | | RESTATED |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 449,142 | \$ 345,128 |
| Term deposit (Note 5) | 14,023 | 13,768 |
| Accounts receivable | 191,381 | 266,959 |
| Due from government agencies | 9,516 | 19,704 |
| Prepaid expenses and deposits | 3,929 | 4,643 |
| | <u>667,991</u> | <u>650,202</u> |
| CAPITAL ASSETS (Note 6) | <u>2,616,948</u> | <u>2,708,422</u> |
| | <u>\$ 3,284,939</u> | <u>\$ 3,358,624</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 100,445 | \$ 66,888 |
| Security deposit payable | 1,063 | 1,063 |
| Current portion of mortgages payable (Note 7) | 75,753 | 94,010 |
| Current portion of obligations under capital lease (Note 8) | 26,379 | 24,358 |
| | <u>203,640</u> | <u>186,319</u> |
| DEFERRED CONTRIBUTIONS (Note 9) | <u>121,856</u> | <u>136,349</u> |
| LONG TERM PORTION OF MORTGAGES PAYABLE (Note 7) | <u>1,382,127</u> | <u>1,458,220</u> |
| OBLIGATION UNDER CAPITAL LEASE (Note 8) | <u>14,842</u> | <u>41,288</u> |
| | <u>1,722,465</u> | <u>1,822,176</u> |
| NET ASSETS | | |
| Investment in capital assets | 1,137,474 | 1,110,173 |
| Unrestricted net assets | 425,000 | 426,275 |
| | <u>1,562,474</u> | <u>1,536,448</u> |
| APPROVED ON THE BEHALF OF THE BOARD OF DIRECTORS | <u>\$ 3,284,939</u> | <u>\$ 3,358,624</u> |
|  Director | | |
|  Director | | |

The accompanying notes are an integral part of these financial statements

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Net Assets

For the year ended March 31, 2019

| | Invested in | Unrestricted | Total |
|--|---------------------|-------------------|---------------------|
| | Capital assets | Net assets | 2019 |
| NET ASSETS - BEGINNING OF YEAR | | | |
| Prior period adjustments (Note 11) | \$ 1,110,173 | \$ 399,607 | \$ 1,509,780 |
| NET ASSETS - BEGINNING OF YEAR RESTATED | <u>\$ 1,110,173</u> | <u>\$ 426,275</u> | <u>\$ 1,536,448</u> |
| Excess of revenues over expenses for the year | - | 26,026 | 26,026 |
| Allocation of amortization to tangible capital assets | (124,901) | 124,901 | - |
| Appropriation of unrestricted net assets to purchase tangible capital assets | 33,427 | (33,427) | - |
| Appropriation of unrestricted net assets for capital lease obligation payments | 24,425 | (24,425) | - |
| Appropriation of unrestricted net assets for mortgage payments | 94,350 | (94,350) | - |
| NET ASSETS - END OF YEAR | <u>\$ 1,137,474</u> | <u>\$ 425,000</u> | <u>\$ 1,562,474</u> |

| | Invested in | Unrestricted | Total |
|--|---------------------|-------------------|---------------------|
| | Capital assets | Net assets | 2018 |
| | RESTATED | RESTATED | RESTATED |
| NET ASSETS - BEGINNING OF YEAR | | | |
| Prior period adjustments (Note 11) | \$ 1,076,460 | \$ 363,994 | \$ 1,440,454 |
| NET ASSETS - BEGINNING OF YEAR RESTATED | <u>\$ 1,076,460</u> | <u>\$ 26,668</u> | <u>\$ 1,103,122</u> |
| Excess of revenues over expenses for the year | - | 69,326 | 69,326 |
| Allocation of amortization to tangible capital assets | (128,300) | 128,300 | - |
| Appropriation of unrestricted net assets to purchase tangible capital assets | 344,486 | (344,486) | - |
| Appropriation of mortgage proceeds to purchase capital assets | (426,967) | 426,967 | - |
| Appropriation of unrestricted net assets for capital lease obligation payments | 22,695 | (22,695) | - |
| Appropriation of unrestricted net assets for mortgage payments | 221,799 | (221,799) | - |
| NET ASSETS - END OF YEAR | <u>\$ 1,110,173</u> | <u>\$ 426,275</u> | <u>\$ 1,536,448</u> |

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Operations

For the year ended March 31, 2019

| | 2019 | 2018 |
|--|------------------|------------------|
| REVENUE | | |
| Province of Manitoba - residential services | \$ 1,675,510 | \$ 1,771,412 |
| Province of Manitoba - day services | 410,826 | 377,161 |
| Province of Manitoba - transportation | 47,864 | 50,715 |
| Province of Manitoba - administration | 9,757 | 16,314 |
| Province of Manitoba - pension and benefits | 55,673 | 36,524 |
| Province of Manitoba - wage enhancement | 79,922 | 110,290 |
| Resident Contributions | 190 | 2,607 |
| Lord Selkirk School Division | - | 2,041 |
| Grant Revenue | 31,588 | - |
| Fundraising | 4,824 | 3,056 |
| Amortization of deferred contributions | - | 15,635 |
| Other income | 11,021 | 3,647 |
| | <u>2,327,175</u> | <u>2,389,402</u> |
| EXPENSES | | |
| Advertising | 731 | 242 |
| Amortization | 124,901 | 128,300 |
| Cable | 6,212 | 5,647 |
| Day program | 21,703 | 18,717 |
| Director expenses | 8,070 | 2,155 |
| Food | 88,728 | 92,969 |
| Fundraising | - | 710 |
| Furnishings | 10,350 | 46,963 |
| GST expense | 9,514 | 8,072 |
| Insurance | 18,185 | 17,396 |
| Interest on mortgage | 65,306 | 61,562 |
| Loss on disposal of capital assets | - | 13,244 |
| Membership fees | 1,318 | 944 |
| Office supplies | 23,969 | 20,686 |
| Property taxes | 42,570 | 21,730 |
| Professional fees | 45,926 | 53,232 |
| Rent | 15,384 | 17,363 |
| Repairs and maintenance | 117,473 | 139,035 |
| Salaries and benefits | 1,583,051 | 1,561,134 |
| Summer vacation | - | 3,099 |
| Transportation | 25,418 | 26,376 |
| Training | 8,497 | 11,227 |
| Utilities | 66,971 | 57,058 |
| Van expenses | 16,872 | 12,215 |
| | <u>2,301,149</u> | <u>2,320,076</u> |
| EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR | <u>\$ 26,026</u> | <u>\$ 69,326</u> |

The accompanying notes are an integral part of these financial statements

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Cash Flows

For the year ended March 31, 2019

| | 2019 | 2018 |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 26,026 | \$ 69,326 |
| Items not affecting cash: | | |
| Amortization | 124,900 | 128,300 |
| Amortization of deferred contributions | (14,493) | (15,635) |
| Loss on disposal of capital assets | - | 13,244 |
| | <u>136,433</u> | <u>195,235</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | 87,792 | (36,226) |
| Prepaid expenses | 713 | 35,226 |
| Accounts payable and accrued liabilities | 33,557 | 9,815 |
| | <u>258,495</u> | <u>204,050</u> |
| INVESTING ACTIVITIES | | |
| Term deposit, net | (255) | (155) |
| Purchase of capital assets | (33,430) | (344,486) |
| | <u>(33,685)</u> | <u>(344,641)</u> |
| FINANCING ACTIVITIES | | |
| Repayment of mortgages payable | (94,350) | (221,799) |
| Proceeds from mortgages payable | | 426,967 |
| Repayment of capital lease obligations | (26,446) | (22,695) |
| Proceeds from deferred contributions | | 22,995 |
| Repayment of working capital advances payable | | (38,023) |
| | <u>(120,796)</u> | <u>167,445</u> |
| CASH DECREASE FOR THE YEAR | 104,014 | 26,854 |
| CASH - beginning of the year | 345,128 | 318,274 |
| CASH - end of the year | \$ 449,142 | \$ 345,128 |
| Cash consists of: | | |
| Sunova Credit Union Chequing | \$ 185,250 | \$ 92,228 |
| Sunova Credit Union Savings | 263,887 | 252,895 |
| Sunova Credit Union Share | 5 | 5 |
| | <u>\$ 449,142</u> | <u>\$ 345,128</u> |

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

HEARTHSTONE COMMUNITY GROUP INC.
Statement of Departmental Operations
For the year ended March 31, 2019

| | Administration | McLean | Outhwaite | Reid | South Dominique | Sutherland | Vaughn | Heap | Glen Hnatuk | Day Program | Pet Services | Non Provincial Funding | Total 2019 | Total 2018 |
|---|----------------|------------|------------|-------------|--------------------|------------|------------|------------|----------------|----------------|-----------------|---------------------------|---------------|---------------|
| REVENUE | | | | | | | | | | | | | | |
| Province of Manitoba - residential services | \$ - | \$ 206,174 | \$ 251,554 | \$ - | \$ - | \$ 249,737 | \$ 195,990 | \$ 252,043 | \$ 520,012 | \$ - | \$ - | \$ - | \$ 1,675,510 | \$ 1,771,412 |
| Province of Manitoba - day services | - | - | - | - | - | - | - | - | 410,826 | - | - | - | 410,826 | 377,161 |
| Province of Manitoba - transportation | - | - | - | - | - | - | - | - | 47,864 | - | - | - | 47,864 | 50,715 |
| Province of Manitoba - administration | - | - | - | - | - | - | - | - | 9,757 | - | - | - | 9,757 | 16,314 |
| Province of Manitoba - pension and benefits | 12,046 | 4,468 | 6,234 | - | (254) | 5,979 | 5,752 | 5,232 | 9,282 | 6,934 | - | - | 55,673 | 36,524 |
| Province of Manitoba - wage enhancement | - | 7,197 | 15,194 | - | - | 5,553 | 15,993 | 10,396 | 25,589 | - | - | - | 79,922 | 110,290 |
| Resident Contributions | - | 5 | 21 | - | - | 65 | - | 38 | 61 | - | - | - | 190 | 2,607 |
| Lord Selkirk School Division | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,041 |
| Grant Revenue | - | - | - | - | - | - | - | - | - | - | - | 31,588 | 31,588 | 3,056 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | - | 4,824 | 4,824 | 15,635 |
| Amortization of deferred contributions | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,647 |
| Other income | (3,451) | - | - | - | - | - | - | - | - | - | 5,117 | 9,355 | 11,021 | - |
| | 8,595 | 217,844 | 273,003 | - | (254) | 261,334 | 217,735 | 267,709 | 554,944 | 475,381 | 5,117 | 45,767 | 2,327,175 | 2,389,402 |
| EXPENSES | | | | | | | | | | | | | | |
| Advertising | 34 | - | - | - | - | - | - | - | - | 149 | 548 | - | 731 | 242 |
| Amortization | 77,347 | - | 1,445 | 1,386 | - | 62 | 3,330 | 5,890 | 34,068 | 1,373 | - | - | 124,901 | 128,300 |
| Cable | - | 899 | 1,121 | - | 158 | 902 | 991 | 1,110 | 1,031 | - | - | - | 6,212 | 5,647 |
| Day program | 7,560 | 71 | 567 | - | - | 1,313 | 881 | 1,092 | 816 | 7,471 | 360 | 1,572 | 21,703 | 18,717 |
| Director expenses | 8,070 | - | - | - | - | - | - | - | - | - | - | - | 8,070 | 2,155 |
| Food | 932 | 11,438 | 12,578 | - | - | 12,905 | 9,324 | 11,875 | 23,332 | 4,680 | 279 | 1,385 | 88,728 | 92,969 |
| Fundraising | - | - | - | - | - | - | - | - | - | - | - | - | - | 710 |
| Furnishings | 3,061 | 1,277 | 981 | - | - | 2,054 | 619 | 2,887 | 1,814 | (4,148) | 1,805 | - | 10,350 | 46,963 |
| GST expense | 2,452 | 248 | 428 | 876 | 10 | 631 | 1,278 | 427 | 561 | 2,041 | 525 | 37 | 9,514 | 8,072 |
| Insurance | 4,924 | 646 | 1,536 | 1,598 | 131 | 672 | 1,647 | 1,476 | 3,168 | 2,387 | - | - | 18,185 | 17,396 |
| Interest on mortgage | 12,442 | - | 1,243 | 1,893 | - | - | 3,428 | 5,255 | 33,251 | 7,794 | - | - | 65,306 | 61,562 |
| Loss on disposal of capital assets | - | - | - | - | - | - | - | - | - | - | - | - | - | 13,244 |
| Membership fees | 1,318 | - | - | - | - | - | - | - | - | - | - | - | 1,318 | 944 |
| Office supplies | 8,131 | 697 | 981 | - | - | 551 | 929 | 1,555 | 2,102 | 6,493 | 1,722 | 808 | 23,969 | 20,686 |
| Property taxes | 4,918 | - | 2,710 | 3,396 | - | - | 3,225 | 3,490 | 19,913 | 4,918 | - | - | 42,570 | 21,730 |
| Professional fees | 3,481 | 1,108 | 1,039 | 32,845 | 24 | 1,324 | 1,879 | 1,040 | 1,193 | 1,295 | 698 | - | 45,926 | 53,232 |
| Rent | - | 3,996 | - | - | - | 11,388 | - | - | - | - | - | - | 15,384 | 17,363 |
| Repairs and maintenance | 30,961 | 2,034 | 5,585 | 1,605 | - | 15,464 | 6,996 | 5,202 | 4,796 | 26,680 | 18,150 | - | 117,473 | 139,035 |
| Salaries and benefits | 159,859 | 140,792 | 181,324 | - | (165) | 159,448 | 147,424 | 187,363 | 284,408 | 305,346 | 11,545 | 5,707 | 1,583,051 | 1,561,134 |
| Summer vacation | - | 1,508 | 1,169 | - | - | 1,115 | 2,384 | 2,118 | 2,278 | 12,972 | 350 | - | 25,418 | 26,376 |
| Transportation | 1,512 | 777 | 1,831 | - | - | 524 | 515 | 294 | 1,069 | 1,975 | - | - | 8,497 | 11,227 |
| Training | 10,446 | 4,119 | 8,011 | 2,958 | 223 | 6,390 | 6,213 | 6,780 | 11,722 | 10,109 | - | - | 66,971 | 57,058 |
| Utilities | - | - | - | - | - | - | - | - | - | 16,872 | - | - | 16,872 | 12,215 |
| Van expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 338,956 | 169,626 | 222,549 | 46,557 | 381 | 214,743 | 191,063 | 237,854 | 425,522 | 408,407 | 35,982 | 9,509 | 2,301,149 | 2,320,076 |
| EXCESS OF DEPARTMENTAL REVENUE OVER DEPARTMENTAL EXPENSES FOR THE YEAR | (330,361) | 48,218 | 50,454 | (46,557) | (635) | 46,591 | 26,672 | 29,855 | 129,422 | 66,974 | (30,865) | 36,258 | 26,026 | 69,326 |
| Allocation to (from) administration | 330,361 | (31,736) | (39,771) | - | 37 | (39,071) | (31,720) | (39,000) | (91,433) | (69,254) | - | - | - | - |
| EXCESS OF REVENUES OVER EXPENSES | \$ - | \$ 16,482 | \$ 10,683 | \$ (46,557) | \$ (598) | \$ 8,520 | \$ (5,048) | \$ (9,145) | \$ 37,989 | \$ (2,280) | \$ (30,865) | \$ 36,258 | \$ 26,026 | \$ 69,326 |

The accompanying notes are an integral part of these financial statements

HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2019

1. DESCRIPTION OF BUSINESS

Hearthstone Community Group Inc. (the "Organization") was incorporated under the Corporations Act of Manitoba. The Organization is dedicated to providing housing and independent living opportunities to persons with disabilities. The Organization is a non-profit organization for the purposes of the Income Tax Act and accordingly is exempt from income taxes.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets

Capital assets are stated at cost. Contributed capital assets are stated at fair value at the date of contribution. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

| | |
|------------------------|-----|
| Buildings | 4% |
| Computer equipment | 45% |
| Furniture and fixtures | 20% |
| Equipment | 20% |
| Motor vehicles | 15% |

Financial instruments

The Organizations financial assets and liabilities consist of cash, term deposit accounts and receivables and accounts payable. The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all financial assets and liabilities at amortized cost.

Net assets

The unrestricted net assets of the Organization account for all revenue and expenses relating to the operations of the Organization. The Organization has internally restricted net assets to provide for the future costs of discipline hearings and legislative amendments, significant capital expenditures, supplemental employee costs, special projects and development programs.

Revenue recognition

Hearthstone Community Group Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured

(continues)

HEARTHSTONE COMMUNITY GROUP INC.
Notes to Financial Statements
Year Ended March 31, 2019

3. 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.

4. COMMERCIAL LINE OF CREDIT

The Organization has a line of credit from Sunova Credit Union to a maximum of \$25,000. As at March 31, 2019 the Organization has not drawn on its line of credit.

5. TERM DEPOSIT

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Guaranteed investment certificates, maturing June 18, 2019, including accrued interest at 2.7%. | \$ 14,023 | \$ 13,768 |

6. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|------------------------------|---------------------|--------------------------|--------------------------------|------------------------|
| Land | \$ 311,462 | \$ - | \$ 311,462 | \$ 311,462 |
| Buildings | 2,615,757 | 452,040 | 2,163,717 | 2,219,745 |
| Computer equipment | 4,294 | 4,289 | 5 | 6 |
| Furniture and fixtures | 16,973 | 13,493 | 3,480 | 4,351 |
| Leasehold improvements | 99,701 | 29,362 | 70,339 | 84,046 |
| Vehicles under capital lease | 129,421 | 61,476 | 67,945 | 88,812 |
| | \$ 3,177,608 | \$ 560,660 | \$ 2,616,948 | \$ 2,708,422 |

7. MORTGAGE PAYABLE

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Sunova Credit Union Mortgage #5 loan bearing interest at 3.99% per annum, repayable in bi-weekly blended payments of \$2,371. The loan matures on December 28, 2022 and is secured by the related house. | \$ 796,030 | \$ 826,786 |

(continues)

HEARTHSTONE COMMUNITY GROUP INC.
Notes to Financial Statements
Year Ended March 31, 2019

7. MORTGAGE PAYABLE *(continued)*

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Sunova Credit Union Mortgage #7 loan bearing interest at 3.99% per annum, repayable in bi-weekly blended payments of \$2,000. The loan matures on December 28, 2022 and is secured by the related house. | 376,300 | 412,713 |
| Sunova Credit Union Mortgage #6 loan bearing interest at 3.99% per annum, repayable in bi-weekly blended payments of \$1,500. The loan matures on December 28, 2022 and is secured by the related houses. | <u>285,550</u> | <u>312,731</u> |
| | 1,457,880 | 1,552,230 |
| Amounts payable within one year | <u>(75,753)</u> | <u>(94,010)</u> |
| Long term portion payable | \$ 1,382,127 | \$ 1,458,220 |

Principal repayment terms are approximately:

| | |
|------------|---------------------|
| 2020 | \$ 75,753 |
| 2021 | 79,762 |
| 2022 | 83,933 |
| Thereafter | <u>1,218,432</u> |
| | \$ 1,457,880 |

8. OBLIGATIONS UNDER CAPITAL LEASE

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Capital Lease - HandiBus bearing interest at 8% per annum, repayable in monthly blended payments of \$1,594. The lease matures on September 20, 2020. | \$ 22,008 | \$ 38,534 |
| Capital Lease - Caravan bearing interest at 6.5% per annum, repayable in monthly blended payments of \$783. The lease matures on June 30, 2021. | <u>19,213</u> | <u>27,112</u> |
| | 41,221 | 65,646 |
| Amounts payable within one year | <u>(26,379)</u> | <u>(24,358)</u> |
| Long term portion payable | \$ 14,842 | \$ 41,288 |

Principal repayment terms are approximately:

(continues)

HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2019

8. OBLIGATIONS UNDER CAPITAL LEASE *(continued)*

| | | |
|------|----|---------------|
| 2020 | \$ | 26,379 |
| 2021 | | 12,980 |
| 2022 | | 1,862 |
| | | <hr/> |
| | \$ | 41,221 |

9. DEFERRED CONTRIBUTIONS

The Organization received grants to help cover costs for building improvements, equipment and furnishing purchases. Where capital assets were purchased, these grants will be deferred and amortized at the same rates as the related capital assets. Where expended amounts relate to the purchase of furnishings, grants are recognized to revenue in the period in which the expenditure was incurred.

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| <u>Balance is comprised of:</u> | | |
| Community Places Program | \$ 9,900 | \$ 12,374 |
| Farm Credit Canada | 13,318 | 13,873 |
| Heart and Stroke Foundation of Canada | 922 | 1,152 |
| Manitoba Community Services Council Inc. | 15,085 | 18,857 |
| Manitoba Marathon | - | 1,615 |
| Province of Manitoba | 41,450 | 43,177 |
| Selkirk and Community District Foundation | 18,028 | 21,182 |
| South Beach Casino and Resort | 6,506 | 6,778 |
| The Thomas Sill Foundation Inc. | 16,647 | 17,341 |
| | <hr/> | <hr/> |
| Total Deferred Contributions | \$ 121,856 | \$ 136,349 |

10. ECONOMIC DEPENDENCE

The Organization is economically dependent on the Province of Manitoba's government funding under the Purchase Service Agreement.

HEARTHSTONE COMMUNITY GROUP INC.
Notes to Financial Statements
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11. PRIOR PERIOD ADJUSTMENT

During the current year audit, it was discovered that certain balances should have been written off in prior years. A restatement of comparative balances and opening retained earnings was required as a result.

The effects of the restatement on the financial statements are summarized as follows.

| | 2018 as previously stated | Adjustment | 2018 as restated |
|--|---------------------------------|------------------|---------------------|
| Due to (from) government agencies | \$ (14,808) | \$ 34,512 | \$ 19,704 |
| Accounts payable and accrued liabilities | (59,043) | (7,845) | (66,888) |
| Unrestricted net assets | 399,607 | 26,667 | 426,274 |
| | <u>\$ 325,756</u> | <u>\$ 53,334</u> | <u>\$ 379,090</u> |

As the adjustments related to years prior to the year end March 31, 2018, there was no impact on the comparative income statement.
