

HEARTHSTONE COMMUNITY GROUP INC.

Financial Statements

For the year ended March 31, 2020

HEARTHSTONE COMMUNITY GROUP INC.

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For the year ended March 31, 2020

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STERNAT + ASSOCIATES

Chartered Professional Accountants

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, 2020, 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, 2020, 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.

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.

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:

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Independent Auditor's Report to the Members of Hearthstone Community Group Inc. *(continued)*

- 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.

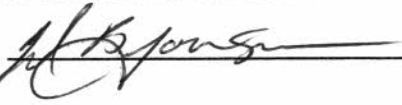
Selkirk, Manitoba
September 14, 2020

Stewart & Associates
Chartered Professional Accountants Inc.

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Financial Position

As at March 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 401,760	\$ 449,142
Term deposit (Note 5)	14,146	14,023
Accounts receivable	205,582	191,381
Due from government agencies	6,997	9,516
Prepaid expenses and deposits	4,643	3,929
	<u>633,128</u>	<u>667,991</u>
CAPITAL ASSETS (Note 6)	<u>2,474,243</u>	<u>2,616,948</u>
	<u>\$ 3,107,371</u>	<u>\$ 3,284,939</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 59,030	\$ 100,445
Security deposit payable	1,063	1,063
Current portion of mortgages payable (Note 7)	100,393	75,753
Current portion of obligations under capital lease (Note 8)	12,936	26,379
	<u>173,422</u>	<u>203,640</u>
DEFERRED CONTRIBUTIONS (Note 9)	<u>110,992</u>	<u>121,856</u>
LONG TERM PORTION OF MORTGAGES PAYABLE (Note 7)	<u>1,260,508</u>	<u>1,382,127</u>
OBLIGATION UNDER CAPITAL LEASE (Note 8)	<u>1,862</u>	<u>14,842</u>
	<u>1,546,784</u>	<u>1,722,465</u>
NET ASSETS		
Investment in capital assets	1,118,171	1,137,474
Unrestricted net assets	442,416	425,000
	<u>1,560,587</u>	<u>1,562,474</u>
APPROVED ON THE BEHALF OF THE BOARD OF DIRECTORS	<u>\$ 3,107,371</u>	<u>\$ 3,284,939</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, 2020

	Invested in	Unrestricted	Total
	Capital assets	Net assets	2020
NET ASSETS - BEGINNING OF YEAR	\$ 1,137,474	\$ 425,000	\$ 1,562,474
Excess of revenues over expenses for the year	-	(1,887)	(1,887)
Allocation of amortization to tangible capital assets	(113,686)	113,686	-
Appropriation of unrestricted net assets to purchase tangible capital assets	(29,019)	29,019	-
Appropriation of unrestricted net assets for capital lease obligation payments	26,423	(26,423)	-
Appropriation of unrestricted net assets for mortgage payments	96,979	(96,979)	-
NET ASSETS - END OF YEAR	\$ 1,118,171	\$ 442,416	\$ 1,560,587

	Invested in	Unrestricted	Total
	Capital assets	Net assets	2019
NET ASSETS - BEGINNING OF YEAR	\$ 1,110,173	\$ 426,275	\$ 1,536,448
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	\$ 1,137,474	\$ 425,000	\$ 1,562,474

HEARTHSTONE COMMUNITY GROUP INC.

Statement of Operations

For the year ended March 31, 2020

	2020	2019
REVENUE		
Province of Manitoba - residential services	\$ 1,648,827	\$ 1,675,510
Province of Manitoba - day services	455,642	410,826
Province of Manitoba - transportation	49,279	47,864
Province of Manitoba - administration	9,956	9,757
Province of Manitoba - pension and benefits	46,051	55,673
Province of Manitoba - wage enhancement	93,693	79,922
Resident Contributions	1,915	190
Lord Selkirk School Division	1,473	-
Grant Revenue	31,069	31,588
Fundraising	6,437	4,824
Amortization of deferred contributions	-	-
Other income	34,113	11,021
	<u>2,378,455</u>	<u>2,327,175</u>
EXPENSES		
Advertising	386	731
Amortization	113,686	124,901
Cable	6,452	6,212
Day program	24,488	21,703
Director expenses	2,210	8,070
Food	83,954	88,728
Fundraising	490	-
Furnishings	4,178	10,350
GST expense	6,989	9,514
Insurance	20,430	18,185
Interest on mortgage	58,469	65,306
Loss on disposal of capital assets	29,019	-
Membership fees	990	1,318
Office supplies	30,411	23,969
Property taxes	34,702	42,570
Professional fees	52,179	45,926
Rent	15,384	15,384
Repairs and maintenance	125,397	117,473
Salaries and benefits	1,654,857	1,583,051
Summer vacation	-	-
Transportation	31,312	25,418
Training	7,569	8,497
Utilities	65,352	66,971
Van expenses	11,438	16,872
	<u>2,380,342</u>	<u>2,301,149</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ (1,887)</u>	<u>\$ 26,026</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, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ (1,887)	\$ 26,026
Items not affecting cash:		
Amortization	113,687	124,900
Amortization of deferred contributions	(10,864)	(14,493)
Loss on disposal of capital assets	29,019	-
	<u>129,955</u>	<u>136,433</u>
Changes in non-cash working capital:		
Accounts receivable	(11,685)	87,792
Prepaid expenses	(711)	713
Accounts payable and accrued liabilities	(41,415)	33,557
	<u>76,144</u>	<u>258,495</u>
INVESTING ACTIVITIES		
Term deposit, net	(123)	(255)
Capital assets	-	(33,430)
	<u>(123)</u>	<u>(33,685)</u>
FINANCING ACTIVITIES		
Repayment of mortgages payable	(96,980)	(94,350)
Repayment of capital lease obligations	(26,423)	(26,446)
	<u>(123,403)</u>	<u>(120,796)</u>
CASH DECREASE FOR THE YEAR	(47,382)	104,014
CASH - beginning of the year	449,142	345,128
CASH - end of the year	\$ 401,760	\$ 449,142
Cash consists of:		
Sunova Credit Union Chequing	\$ 115,483	\$ 185,250
Sunova Credit Union Savings	286,272	263,887
Sunova Credit Union Share	5	5
	<u>\$ 401,760</u>	<u>\$ 449,142</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, 2020

	Administration	McLean	Outhwaite	Reid	Sutherland	Vaughn	Heap	Glen Hnatluk	Day Program	Pet Services	Non Provincial Funding	Total 2020	Total 2019
REVENUE													
Province of Manitoba - residential services		\$ 206,739	\$ 236,841	\$ -	\$ 250,421	\$ 196,527	\$ 252,734	\$ 505,565	\$ -	\$ -	\$ -	\$ 1,648,827	\$ 1,675,510
Province of Manitoba - day services									455,642			455,642	410,826
Province of Manitoba - transportation									49,279			49,279	47,864
Province of Manitoba - administration									9,956			9,956	9,757
Province of Manitoba - pension and benefits	6,461	7,250	4,912		3,761	1,414	3,610	6,998	11,645			46,081	55,873
Province of Manitoba - wage enhancement		10,306	16,865		11,243	12,180	16,865	26,234				93,693	79,922
Resident Contributions		19	18		667	295	296	620				1,915	190
Lord Selkirk School Division											1,473	1,473	
Grant Revenue										600	30,469	31,069	31,588
Fundraising	5										6,432	6,437	4,824
Amortization of deferred contributions													
Other income	9,874									17,151	7,088	34,113	11,021
	16,340	224,314	258,636		266,092	210,416	273,505	539,417	526,522	17,751	45,462	2,378,455	2,327,175
EXPENSES													
Advertising									353	33		386	731
Amortization	68,921	56	1,310		49	3,892	5,654	32,705	1,099			113,686	124,901
Cable		975	1,203		995	1,085	1,080	1,114				6,452	6,212
Day program	7,205	382	322		1,547	979	1,340	1,764	9,935	1,014		24,488	21,703
Director expenses	2,210											2,210	8,070
Food	2,741	9,907	11,531		12,121	7,155	10,653	18,862	10,279	705		83,954	88,728
Fundraising											490	490	
Furnishings	461		173			86	1,324	1,208	926			4,178	10,350
GST expense	1,848	208	361	600	374	393	899	532	2,057	(346)	63	6,989	9,514
Insurance	10,450	491	1,161	1,029	511	1,244	1,119	2,622	1,803			20,430	18,185
Interest on mortgage	7,062		1,073	1,716		3,111	4,827	30,806	9,874			58,469	65,306
Loss on disposal of capital assets				29,019								29,019	
Membership fees	990											990	1,318
Office supplies	13,687	747	1,183		478	1,526	1,061	2,088	7,672	1,969		30,411	23,969
Property taxes	5,038		2,777	3,479		3,398	3,576	11,396	5,038			34,702	42,570
Professional fees	28,576	561	604	6,986	561	561	604	2,130	1,371	225	10,000	52,179	45,926
Rent		3,996			11,388							15,384	15,384
Repairs and maintenance	35,159	1,815	5,544	16,322	6,310	6,700	8,995	4,504	38,201	847		125,397	117,473
Salaries and benefits	169,254	151,828	179,733		160,112	153,265	183,396	295,395	334,566	17,224	10,285	1,654,857	1,563,051
Transportation	2,516	1,743	3,327		1,856	2,043	2,058	1,743	16,007	19		31,312	25,418
Training	3,917	216	318		290	92	73	263	2,366	14		7,569	8,497
Utilities	10,516	3,803	5,875	2,194	5,711	6,751	5,701	12,481	12,320			65,352	66,971
Van expenses									11,438			11,438	16,872
	370,550	176,528	216,495	61,345	202,303	192,281	232,360	419,633	466,306	21,704	20,938	2,380,342	2,301,149
EXCESS OF DEPARTMENTAL REVENUE OVER DEPARTMENTAL EXPENSES FOR THE YEAR	(354,210)	47,786	42,141	(61,345)	63,789	18,135	41,145	119,784	60,216	(3,953)	24,624	(1,887)	26,026
Allocation to (from) administration	354,210	(34,562)	(39,850)		(40,999)	(32,420)	(42,141)	(93,516)	(81,125)				
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ 13,224	\$ 2,291	\$ (61,345)	\$ 22,791	\$ (14,285)	\$ (996)	\$ 26,268	\$ (20,909)	\$ (3,953)	\$ 24,624	\$ (1,887)	\$ 26,026

The accompanying notes are an integral part of these financial statements

HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2020

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.

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

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HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2020

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, 2020 the Organization has not drawn on its line of credit.

5. TERM DEPOSIT

	<u>2020</u>	<u>2019</u>
Guaranteed investment certificates, maturing April 20, 2020, including accrued interest at 2.7%.	\$ 14,146	\$ 14,023

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 311,462	\$ -	\$ 311,462	\$ 311,462
Buildings	2,555,098	537,475	2,017,623	2,163,717
Computer equipment	4,294	4,289	5	6
Furniture and fixtures	14,491	14,087	404	3,479
Leasehold improvements	99,701	6,203	93,498	70,339
Vehicles under capital lease	129,421	78,170	51,251	67,945
	\$ 3,114,467	\$ 640,224	\$ 2,474,243	\$ 2,616,948

7. MORTGAGE PAYABLE

	<u>2020</u>	<u>2019</u>
Sunova Credit Union Mortgage #5 - Hnatiuk 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.	\$ 765,199	\$ 796,030

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HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2020

7. MORTGAGE PAYABLE *(continued)*

	<u>2020</u>	<u>2019</u>
Sunova Credit Union Mortgage #7 - Superior 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.	338,425	376,300
Sunova Credit Union Mortgage #6 - Multiple 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>257,277</u>	<u>285,550</u>
	1,360,901	1,457,880
Amounts payable within one year	<u>(100,393)</u>	<u>(75,753)</u>
Long term portion payable	<u>\$ 1,260,508</u>	<u>\$ 1,382,127</u>

Principal repayment terms are approximately:

2021	\$ 100,393
2022	104,446
Thereafter	<u>1,156,062</u>
	<u>\$ 1,360,901</u>

8. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2020</u>	<u>2019</u>
Capital Lease - HandiBus bearing interest at 8% per annum, repayable in monthly blended payments of \$1,594. The lease matures on July 20, 2020.	\$ 4,544	\$ 22,008
Capital Lease - Caravan loan bearing interest at 6.5% per annum, repayable in monthly blended payments of \$783. The loan matures on June 30, 2021 and is secured by Caravan which has a carrying value of \$-. Loan is callable on demand.	<u>10,254</u>	<u>19,213</u>
	14,798	41,221
Amounts payable within one year	<u>(12,936)</u>	<u>(26,379)</u>
Long term portion payable	<u>\$ 1,862</u>	<u>\$ 14,842</u>

Principal repayment terms are approximately:

2021	\$ 12,936
2022	<u>1,862</u>
	<u>\$ 14,798</u>

HEARTHSTONE COMMUNITY GROUP INC.

Notes to Financial Statements

Year Ended March 31, 2020

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>2020</u>	<u>2019</u>
<u>Balance is comprised of:</u>		
Community Places Program	\$ 7,922	\$ 9,900
Farm Credit Canada	12,785	13,318
Heart and Stroke Foundation of Canada	737	922
Manitoba Community Services Council Inc.	12,068	15,085
Manitoba Marathon	-	-
Province of Manitoba	39,792	41,450
Selkirk and Community District Foundation	15,461	18,028
South Beach Casino and Resort	6,246	6,506
The Thomas Sill Foundation Inc.	15,981	16,647
	<hr/>	<hr/>
Total Deferred Contributions	\$ 110,992	\$ 121,856

10. ECONOMIC DEPENDENCE

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

11. SUBSEQUENT EVENTS

The Organization has approved a build of a new housing unit to be located at 137 Reid Ave. in Selkirk, Manitoba. The anticipated plans include a start date of October 2020 with completion May 2021. The contract quote is for \$1,134,288.75 plus \$90,000 for exterior work and furnishings and appliances. Sunova Credit Union will facilitate a 5year mortgage with a fixed interest rate of 2.64%.
