

HEARTHSTONE COMMUNITY GROUP INC.
Financial Statements
For the Year Ended March 31, 2025

HEARTHSTONE COMMUNITY GROUP INC.

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For the Year Ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hearthstone Community Group Inc.

Opinion

We have audited the accompanying financial statements of Hearthstone Community Group Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2025 and the statements of operations, changes in net asset 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 Hearthstone Community Group Inc. as at March 31, 2025 and its financial performance and its cash flows 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 these 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Talbot and Associates
Chartered Professional Accountants

Winnipeg, Manitoba
September 02, 2025

Hearthstone Community Group Inc.
Statement of Financial Position
March 31, 2025

	2025	2024
ASSETS		
CURRENT		
Cash and equivalents	\$ 456,876	\$ 489,076
Internally restricted cash (Note 5)	704,902	487,684
Holdbacks held in trust	-	84,762
Accounts receivable	538,284	469,234
Due from government agencies	8,943	34,971
Prepaid expenses and deposits	<u>38,912</u>	<u>17,967</u>
	1,747,917	1,583,694
TANGIBLE CAPITAL ASSETS (Note 6)	<u>5,654,247</u>	<u>5,142,778</u>
	<u><u>\$ 7,402,164</u></u>	<u><u>\$ 6,726,472</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 160,616	\$ 535,544
Current portion of long-term debt (Note 8)	167,509	207,642
Deferred grants	-	12,822
	<u>328,125</u>	<u>756,008</u>
LONG-TERM DEBT (Note 8)	3,874,979	3,111,122
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	<u>75,762</u>	<u>81,099</u>
	<u><u>4,278,866</u></u>	<u><u>3,948,229</u></u>
NET ASSETS		
Invested in capital assets	1,535,996	1,827,678
Unrestricted	1,587,302	950,565
	<u>3,123,298</u>	<u>2,778,243</u>
	<u><u>\$ 7,402,164</u></u>	<u><u>\$ 6,726,472</u></u>

Approved on Behalf of the Directors

_____,
_____,

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

Hearthstone Community Group Inc.
Statement of Changes in Net Assets
For the Year Ended March 31, 2025

	Invested in capital assets	Unrestricted Net Assets	2025	2024
NET ASSETS - Beginning of the year	\$ 1,827,678	\$ 950,565	\$ 2,778,243	\$ 2,378,340
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(320,445)	665,500	345,055	399,903
Appropriation of unrestricted net assets to purchase capital assets	681,973	(681,973)	-	-
Appropriation of unrestricted net assets for payments on mortgages	328,508	(328,508)	-	-
Appropriation of net assets for loans advanced	(896,956)	896,956	-	-
Release of holdbacks related to construction	(84,762)	84,762	-	-
NET ASSETS - End of the year	\$ 1,535,996	\$ 1,587,302	\$ 3,123,298	\$ 2,778,243

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

Hearthstone Community Group Inc.
Statement of Operations
For the Year Ended March 31, 2025

	2025	2024
REVENUE		
Province of Manitoba - Residential Services	\$ 4,828,989	\$ 2,934,936
Province of Manitoba - Day Services	706,696	741,154
Province of Manitoba - Pension and benefits	112,061	80,068
Province of Manitoba - Transportation	54,685	45,748
Selkirk and District Foundation	53,175	23,100
Interest income	17,889	19,500
Rent revenue	15,600	7,800
Miscellaneous	14,762	8,234
Fundraising	3,684	15,843
	5,807,541	3,876,383
EXPENSES		
Advertising and promotion	19,859	15,543
Board expenses	2,910	2,160
Cable	7,944	7,450
Day program	16,948	29,584
Food	177,062	111,840
Furnishings	71,168	55,135
Household supplies	47,653	21,089
Insurance	35,736	30,252
Office	59,599	35,618
Professional fees	60,447	35,338
Property taxes	63,889	54,208
Rental	46,084	15,384
Repairs and maintenance	92,459	69,393
Salaries and wages	4,179,540	2,604,919
Training	58,817	39,394
Transportation	17,904	11,778
Utilities	96,201	75,703
Van expenses	87,821	53,972
	5,142,041	3,268,760
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS		665,500
REVENUE AND EXPENSES RELATED TO INVESTED IN CAPITAL ASSETS		607,623
Amortization of deferred contributions	5,337	6,013
Amortization of tangible assets	(170,502)	(134,250)
Interest on long term debt	(155,280)	(79,483)
	(320,445)	(207,720)
EXCESS OF REVENUES OVER EXPENSES	\$ 345,055	\$ 399,903

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, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 345,055	\$ 399,903
Adjustments for non-cash items:		
Amortization	170,502	134,250
Deferred contributions recognized as revenue	(5,337)	(6,013)
Changes in non-cash working capital balances:		
Accounts receivable	(69,050)	(186,227)
Due from government agencies	26,029	(17,447)
Prepaid expenses	(20,945)	(13,207)
Accounts payable and accrued liabilities	(374,928)	435,815
Deferred contributions	(12,822)	12,902
	58,504	759,976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire tangible capital assets	(681,973)	(1,495,631)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	896,956	1,126,349
Principle loan repayments	(173,231)	(169,472)
	723,725	956,877
NET CASH INCREASE	100,256	221,222
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,061,522	840,300
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,161,778	\$ 1,061,522

Cash and cash equivalents consist of the following:

Capital replacement	\$ 704,902	\$ 487,684
Cash	456,876	489,076
Holdbacks held in trust	-	84,762
	\$ 1,161,778	\$ 1,061,522

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

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

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 ACCOUNTING

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents includes cash accounts, short-term investments and highly liquid investments in money market instruments which are carried at the lower of cost and market value with a maturity date of three months or less from the acquisition date. These are valued at cost.

b. Tangible 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:

Buildings	4%
Computer equipment	45%
Furniture and fixtures	20%
Equipment	20%
Motor vehicles	15%
Leasehold Improvements	20%

Capital asset additions are amortized at one half the above noted rates in the year they are acquired. The Organization has a policy to expense purchases of a capital nature that are replacing previously capitalized assets with a value less than \$15,000 relating to its daily operations.

c. Allocation of administration

The Organization allocates the cost of administration to each cost centre by the ratio of funding received from the Province of Manitoba.

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

3. Significant Accounting Policies

d. In-kind donations

In-kind donations of materials and volunteer services, which are used in the normal course of the Organization's operations and would otherwise have been purchased, are reported in the financial statements when fair value can be reasonably estimated. The Organization does not report in-kind donations when there is valuation uncertainty. In 2024 the Organization received a 2007 Toyota Alphard with a value of \$14,521 for which a donation receipt was issued.

e. Revenue recognition

The Organization 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 they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions designated for the purchase of capital assets are recorded as deferred contributions and recognized as revenue at rates consistent with those used to amortize the corresponding tangible capital assets.

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.

Program receipts are recognized when there is persuasive evidence that transactions have taken place, the prices are known and collection is reasonably assured.

Interest revenue is recognized as revenue when it is earned.

f. Use of estimates

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.

g. Financial instruments

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

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

4. ACCOUNTS HELD IN TRUST

The Organization holds several trust accounts for clients which are in turn managed by the public trustee. The trust accounts are not reported on the Organization's statement of financial position as while they are in the Organization's name, they belong to the clients.

5. INTERNALLY RESTRICTED CASH

Any cash that is restricted from operational use is recorded in restricted cash. The restriction on cash relates to having funds available in the event of having to acquire long-term assets or emergency use. The restricted cash can only be used if approved by board resolution, therefore is considered internally restricted.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accum. Amort.	2025	2024
			Net Book Value	Net Book Value
Land	\$ 766,845	\$ -	\$ 766,845	\$ 766,845
Buildings	5,945,954	1,112,472	4,833,482	4,310,551
Leasehold improvements	99,701	83,894	15,807	19,761
Furniture and fixtures	28,517	17,858	10,659	13,323
Computer equipment	4,294	4,294	-	-
Vehicles	104,692	77,238	27,454	32,298
	\$6,950,003	\$1,295,756	\$ 5,654,247	\$ 5,142,778

7. COMMERCIAL LINE OF CREDIT

The Organization has a line of credit from Access Credit Union to a maximum of \$25,000. As at March 31, 2025, the Organization has not drawn on its line of credit (2024 - \$NIL).

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

8. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
Access Credit Union Mortgage #5 - Hnatiuk loan bearing interest at 3.99% per annum, repayable in bi-weekly blended payments of \$2,371. The loan was secured by the related house.	\$ 586,218	625,419
Access Credit Union Mortgage #9 - Superior loan bearing interest at 2.64% per annum, repayable in bi-weekly blended payments of \$1,494. The loan was secured by the Main Office Building.	450,796	477,480
Access Credit Union Mortgage #10 loan bearing interest at 2.64% per annum, repayable in bi-weekly blended payments of \$904. The loan was secured by the Heap and Vaughan houses.	302,858	318,235
Access Credit Union Mortgage #8 Reid House loan bearing interest at 2.64% per annum, repayable in monthly blended payments of \$1,932. and was secured by the related house.	647,781	680,624
Access Credit Union Mortgage #11 Outhwaite loan bearing interest at 3.05% per annum, repayable in monthly blended payments of \$397. The loan was secured by the related house.	138,781	143,287
Access Credit Union Mortgage West Vaughan loan bearing interest at 4.99% per annum, repayable in monthly blended payments of \$5,482. The loan was secured by the related house.	1,916,054	1,073,719
Total debt	4,042,488	3,318,764
Less:		
Amounts payable within one year	(167,509)	(207,642)
Long-term portion of debt	\$ 3,874,979	\$ 3,111,122

Regular principal repayments required on all long-term debt for the next five years are due as follows:

2026	\$ 167,510
2027	173,680
2028	180,100
2029	186,780
2030	193,730
Subsequent	3,140,688
	\$ 4,042,488

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

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.

	2025	2024
Community Places Program	\$ 2,595	\$ 3,244
Farm Credit Canada	10,425	10,859
Manitoba Community Services Council Inc.	3,955	4,943
Province of Manitoba	32,444	33,797
Selkirk and Community District Foundation	8,220	9,377
South Beach Casino and Resort	5,093	5,305
The Thomas Sill Foundation Inc.	13,030	13,574
	<hr/> \$ 75,762	<hr/> \$ 81,099

10. COMMITMENTS

The Organization entered into a Tenancy agreement with Teagan Stokes (the landlord), to lease the upper unit of 712 Vaughan Avenue in Selkirk, MB for the term of May 15, 2024 to April 30, 2025. The Organization shall pay a monthly rent of \$1,800 due on the 1st of every month.

The Organization entered into a second Tenancy agreement with Teagan Stokes (the landlord), to lease the lower unit of 712 Vaughan Avenue in Selkirk, MB beginning on September 15, 2024 and continuing from month to month beginning October 1, 2024. The Organization shall pay a monthly rent of \$1,700 due on the 1st of every month.

Manitoba Housing provides the Organization a rent subsidy on the unit at 634 McLean Avenue in Selkirk, MB. The Organization pays monthly rent of \$333 per the agreement dated April 1st 2019.

The Organization has entered into a lease agreement with Falcon Auto Leasing Inc. for the 2023 Ram Promaster 3500 Cargo van on February 27, 2024. The lease is for a term of 84 months with monthly payments of \$2,140 to be made on the 1st of every month beginning March 1, 2024. The expected payments for the next five years are as follows:

2025	\$ 25,680
2026	25,680
2027	25,680
2028	25,680
2029	25,680

Hearthstone Community Group Inc.
Notes to the Financial Statements
For the Year Ended March 31, 2025

11. ECONOMIC DEPENDENCE

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

12. FINANCIAL RISKS

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Organization by failing to discharge an obligation. The Organization's credit risk is mainly related to accounts receivable. The Organization provides credit to its clients in the normal course of its operations. The Organization's receivables consists mostly of grants receivable by The Province of Manitoba, which all have been subsequently received, therefore the risk is mitigated.

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 interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Organization to changes in related future cash flows.

13. PUBLIC SECTOR COMPENSATION DISCLOSURE

Pursuant to the Public Sector Compensation Disclosure Act, the Organization is required to disclose to the public, the amount of compensation it pays in the fiscal year if the amount of compensation paid to its board of directors, board members, officers or employees is \$85,000 or more.

The total compensation paid to the Executive Director for the fiscal year ending 2025 is \$112,736.

Hearthstone Community Group Inc.
Statement of departmental operations (Schedule 1)
For the Year Ended March 31, 2025

	Admin	McLean	Outhwaite	Reid	Sutherland	Vaughan	712 Vaughan	Heap	Glen Hnatuk	Other	West VaughanA	West VaughanB	Day program	Non Provincial Funding	2025	2024	
REVENUE																	
Prov of MB - Residential Services	\$ -	\$ 379,867	\$ 518,808	\$ 743,023	\$ -	\$ 305,236	\$ 313,113	\$ 345,762	\$ 709,810	\$ 8,011	\$ 753,276	\$ 752,083	\$ 706,696	\$ -	\$ 4,828,989	\$ 2,934,936	
Prov of MB - Day Services															706,696	741,154	
Prov of MB - Pension and benefits	\$ 7,822	18,997	8,940	21,194		9,208		7,823	15,645		1,381	1,118	19,933		12,061	80,068	
Prov of MB - Transportation															54,685	45,748	
Selkirk and District Foundation	40,353														53,175	23,100	
Interest income															17,889	19,500	
Rent Revenue															15,600	7,800	
Miscellaneous															8,234	8,234	
Amort. of def. contributions															14,762	14,762	
Fundraising															5,337	6,013	
	1,714	399,192	528,170	764,579	15,600	314,774	313,113	353,745	726,655	8,011	754,657	753,201	787,109	33,316	5,812,878	3,882,396	
	60,756																
EXPENSES																	
Advertising and promotion	\$ 19,650		59	50		3,174			4,610	26,667				100	19,859	15,543	
Amortization		41,439	877	48,718											170,502	134,250	
Board expenses		2,910		-											2,910	2,160	
Cable		1,174	1,303	1,383		946		1,177	1,737						7,944	7,450	
Day program		4,214	559	1,97	1,053	539	942		1,448						16,948	29,584	
Food		2,989	11,420	17,743	24,411	7,819	13,973	14,758	27,695						177,062	111,840	
Furnishings			2,070	4,750	3,841		99	7,230	1,856	2,700					71,168	55,135	
Household supplies		2,802	1,351	722	1,637	1,026	7,390	1,149	1,758						47,653	47,653	
Insurance		8,486	687	2,033	4,584	720	2,210	485	1,953	4,901					35,736	30,252	
Interest on long term debt		6,080		8,728	17,400	-	4,068	4,068	4,068	20,947					155,280	79,483	
Office		35,734	80	282	444		168	6,041	455	4,244					59,599	36,618	
Professional fees		57,795	-					972	210	395					60,447	35,338	
Property taxes		8,457	-	2,925	15,476		3,800		3,809	12,936					63,889	54,208	
Rent			3,996	-	11,388				30,700	-					46,184	15,384	
Repairs and maintenance		11,685	2,807	11,460	8,143	3,352	11,193	3,845	8,735						92,459	69,393	
Salaries and wages		360,848	324,957	360,480	471,644	-	223,179	161,836	264,730	529,134	3,508				4,179,540	2,604,919	
Training		31,932	1,450	2,467	2,470		888	320	2,002	3,594					58,817	39,394	
Transportation		3,257	2,190	3,494	374		1,522	40	885	4,073					17,904	11,778	
Utilities		11,218	3,981	7,871	12,440	3,447	6,438	1,403	5,845	14,235					96,201	75,703	
Van		-													87,321	53,972	
	609,516	356,722	425,391	614,068	15,989	260,210	242,263	311,832	665,199	3,508	656,965	656,344	655,816		5,467,823	3,482,493	
EXCESS (DEFICIENCY) OF DEPARTMENTAL REVENUE OVER EXPENSES FOR THE YEAR																	
Allocation of administration		(548,760)	42,470	102,779	150,511	(389)	54,564	70,850	41,913	61,456	4,503	103,692	96,857	131,293	33,316	345,055	399,903
EXCESS (DEFICIENCY) OF EXPENSES OVER EXPENSES																	
		\$ -	\$ 4,033	\$ 51,923	\$ 76,867	\$ (389)	\$ 24,263	\$ 40,677	\$ 7,840	\$ (8,452)	\$ 3,731	\$ 30,970	\$ 24,275	\$ 56,001	\$ 33,316	\$ 345,055	\$ 399,903

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