

HOMES FOR HEROES FOUNDATION

FINANCIAL STATEMENTS (Audited)

December 31, 2020

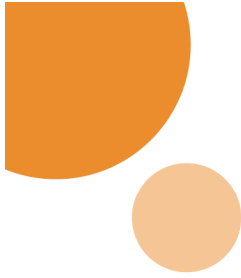


HOMES FOR HEROES FOUNDATION

December 31, 2020

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Heidi Brauer

Chartered Professional Accountant

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Independent Auditor's Report

To the Board of directors of:
Homes for Heroes Foundation

Report on the Audit of the Financial Statements

Qualified Opinion

I have audited the Statement of Financial Position of the Homes for Heroes Foundation as at December 31, 2020 and the Statements of Operations, Net Assets and Cash Flows and a summary of significant accounting policies and other explanatory notes for the year ended December 31, 2020.

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself of the completeness of fundraising activities, these financial statements present fairly, in all material respects, the financial position of the Homes for Heroes Foundation as at December 31, 2020 and the results of its operations and cash flows for the year ended December 31, 2020 in accordance with Canadian accounting standards for not-for-profit associations.

Basis for Qualified Opinion

In common with many not-for-profit associations, the Homes for Heroes Foundation derives revenue from certain fundraising activities, the completeness of which is not subject to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Homes for Heroes Foundation and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets. I conducted my audit in accordance with Canadian auditing standards.

I am independent of the Homes for Heroes Foundation in accordance with the ethical requirements that are relevant to my audit and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit associations and for such internal control as management determines 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 Homes for Heroes Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, concluding on the appropriateness of management's use of the going concern basis of accounting as well as evaluating the overall presentation of the financial statements. I would like to draw you attention to Note 11 - Uncertainty due to the COVID-19 pandemic.

I communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.

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Dave Howard 5/20/2021
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Calgary, Alberta
date of board approval

Heidi Brauer
Chartered Professional Accountant

HOMES FOR HEROES FOUNDATION
STATEMENT OF FINANCIAL POSITION
(Audited)

As at December 31, 2020

ASSETS

	<u>2020</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
	<u>Operating</u>	<u>Externally</u>	<u>Totals</u>	<u>Totals</u>
		<u>restricted</u>		<u>Restated</u>
CURRENT ASSETS				
Cash and cash equivalents, unrestricted	\$ 959,861	\$ 1,542,312	\$ 2,502,173	\$ 949,901
Accounts receivable	25,713	825,000	850,713	138,541
GST receivable	9,489	-	9,489	38,663
Prepaid expenses (Note 6)	<u>49,586</u>	<u>-</u>	<u>49,586</u>	<u>16,284</u>
	<u>1,044,649</u>	<u>2,367,312</u>	<u>3,411,961</u>	<u>1,143,389</u>
PROPERTY AND EQUIPMENT (Note 3)	<u>3,845,772</u>	<u>-</u>	<u>3,845,772</u>	<u>3,633,556</u>
	<u>\$ 4,890,421</u>	<u>\$ 2,367,312</u>	<u>\$ 7,257,733</u>	<u>\$ 4,776,945</u>

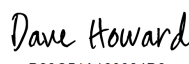
LIABILITIES AND NET ASSETS


CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 50,561	\$ -	\$ 50,561	\$ 451,920
Payroll source deductions payable	<u>9,123</u>	<u>-</u>	<u>9,123</u>	<u>8,147</u>
	<u>59,684</u>	<u>-</u>	<u>59,684</u>	<u>460,067</u>
Fund balances	<u>4,830,737</u>	<u>2,367,312</u>	<u>7,198,049</u>	<u>4,316,878</u>
	<u>\$ 4,890,421</u>	<u>\$ 2,367,312</u>	<u>\$ 7,257,733</u>	<u>\$ 4,776,945</u>

Contingency (Note 7)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

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See Notes to the Financial Statements

HOMES FOR HEROES FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
(Audited)

For the Year Ended December 31, 2020

	<u>Operating</u>	<u>Externally restricted</u>	<u>2020 Totals</u>	<u>Restated 2019 Totals</u>
Balances, beginning of the year	\$ 4,283,916	\$ -	\$ 4,283,916	\$ 1,569,548
Re-statement (Note 10)	32,962	-	32,962	-
Restated prior year balance	4,316,878	-	4,316,878	1,569,548
Transfers	(7,111)	7,111	-	-
Increases	520,970	2,360,201	2,881,171	2,747,330
Balances, end of the year	<u>\$ 4,830,737</u>	<u>\$ 2,367,312</u>	<u>\$ 7,198,049</u>	<u>\$ 4,316,878</u>

See Notes to Financial Statements

HOMES FOR HEROES FOUNDATION
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2020

	<u>Operating 2020</u>	<u>Externally Restricted 2020</u>	<u>Total 2020</u>	<u>Restated Total 2019</u>
REVENUE				
Donations - cash (Note 9)	\$ 1,004,535	\$ 31,134	\$ 1,035,669	\$ 1,604,479
Sponsorships	100,000	-	100,000	-
Reimbursed expenses	75,159	39	75,198	21,111
Grants (Note 8)	63,943	2,329,500	2,393,443	133,944
Interest	4,970	12	4,982	5,106
Donations - non-cash	-	-	-	1,733,533
	<u>1,248,607</u>	<u>2,360,685</u>	<u>3,609,292</u>	<u>3,498,173</u>
OVERHEAD EXPENSES				
Salaries and wages	240,357	-	240,357	191,597
Fundraising	94,762	-	94,762	67,500
Rent	33,202	-	33,202	29,642
Bookkeeping fees	32,741	-	32,741	46,650
Parking and travel	23,216	-	23,216	17,515
Audit fees	15,476	-	15,476	9,488
Advertising and promotion	10,936	-	10,936	64,906
Legal fees	9,891	-	9,891	2,828
Donation commissions and fees	9,499	-	9,499	19,715
Consultants	8,900	-	8,900	12,023
Software	8,730	-	8,730	4,437
Insurance	8,029	-	8,029	4,418
Meals and entertainment	4,252	-	4,252	1,602
Website development	3,625	-	3,625	6,665
GST not recoverable	3,589	-	3,589	9,781
Telephone	3,572	-	3,572	4,057
Administration	1,860	-	1,860	14,372
Office	1,758	376	2,134	4,088
Bank charges	1,651	108	1,759	489
Courier and postage	1,050	-	1,050	5,925
Memberships	787	-	787	866
Recruitment	750	-	750	8,493
Repairs and maintenance	640	-	640	357
Events	-	-	-	47,360
Training and conference	-	-	-	100
	<u>519,273</u>	<u>484</u>	<u>519,757</u>	<u>574,874</u>
Excess before amortization and direct expenses	729,334	2,360,201	3,089,535	2,923,299
Less: CNIB Veterans' Village	15,879	-	15,879	5,537
Less: Other Veterans' Village expense	3,250	-	3,250	-
Less: Amortization expense	189,235	-	189,235	170,432
	<u>520,970</u>	<u>2,360,201</u>	<u>2,881,171</u>	<u>2,747,330</u>
INCREASE IN FUNDS	\$ 520,970	\$ 2,360,201	\$ 2,881,171	\$ 2,747,330

See Notes to Financial Statements

HOMES FOR HEROES FOUNDATION
STATEMENT OF CASH FLOWS
(Audited)

For the Year Ended December 31, 2020

	<u>2020</u>	<u>Restated</u> <u>2019</u>
FUNDS PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 2,881,171	\$ 2,747,330
Charges not affecting cash:		
Amortization expense	189,235	170,432
Changes in non-cash operating working capital:		
Account receivable	(712,172)	(135,749)
GST receivable	29,174	(31,174)
Prepaid expenses	(33,302)	(883)
Wages payable	976	3,565
Accounts payable and accrued charges	<u>(401,358)</u>	<u>419,349</u>
NET INCREASE IN WORKING CAPITAL	<u>1,953,724</u>	<u>3,172,870</u>
INVESTING ACTIVITIES:		
Building	(388,929)	(3,489,044)
Signage	(1,128)	(19,169)
Landscaping	(7,706)	(53,808)
Computer equipment	(1,504)	(2,772)
Furniture and equipment	<u>(2,185)</u>	<u>(61,201)</u>
	<u>(401,452)</u>	<u>(3,625,994)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,552,272	(453,124)
Cash and cash equivalents, beginning of the year	<u>949,901</u>	<u>1,403,025</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,502,173</u>	<u>\$ 949,901</u>
Consisting of:		
Unrestricted cash and cash equivalents	\$ 959,861	\$ 949,901
Externally restricted cash and cash equivalents	<u>1,542,312</u>	<u>-</u>
	<u>\$ 2,502,173</u>	<u>\$ 949,901</u>

HOMES FOR HEROES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
(Audited)

December 31, 2020

1. NATURE OF THE ORGANIZATION

The Homes for Heroes Foundation ("H4HF") was incorporated on November 3, 2016 as a Company Limited by Shares with the Province of Alberta. The Company received charity status on January 25, 2017.

The Homes for Heroes Foundation was developed in response to the growing number of military veterans who have returned to civilian life and now face crisis. Homes for Heroes will assist veterans, whose challenges have caused them to be homeless, progress toward a stable and secure life by providing housing and a robust support system, fundamental components of stability and dignity.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Revenue recognition

During the prior year, H4HF adopted the restricted fund method of accounting. H4HF will have an operating fund and an externally restricted fund. In 2018 and 2019 H4HF did not have externally restricted funds.

Revenue is recognized according to the accrual method, where revenue is recorded when it is received or reasonable assurance is given that it is receivable. This recognizes the effects of transactions and events in the period in which the transactions and events occur, even if cash is not exchanged until later.

(b) Property and equipment

The purchase of property and equipment is recorded at cost. This will be amortized over the estimated life of the assets on a straight line method at the following rates:

Building	5%
Signage, landscaping, furniture, equipment	10%
Computer equipment	20%

Full amortization is charged for the first year of the asset completed or purchased.

(c) Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop H4HF's programs and carry out its activities. The value of this contributed time is not reflected in these financial statements.

HOMES FOR HEROES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
(Audited)

December 31, 2020

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

(e) Donated Goods and Services

H4HF receives goods and services donated by individuals and businesses, who assist the Foundation in achieving its mission. H4HF records donated goods and services at cost, if the goods or services would otherwise have been purchased.

(f) Financial Instruments

Measurement of Financial Instruments:

H4HF initially measures its financial assets and financial liabilities at fair value. H4HF subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value of these financial instruments are recognized in net income. Financial instruments measured at amortized cost include cash, accounts receivable and accounts payable.

Financial Risk:

It is management's opinion that H4HF is not exposed to significant interest, currency, price, market or credit risks arising from these financial instruments.

(g) Use of Estimates

The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to receivables, the useful life of property and equipment and the amounts recorded as accrued liabilities.

HOMES FOR HEROES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
(Audited)

December 31, 2020

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Total 2020	Total 2019
Buildings	\$ 4,055,968	330,239	3,725,729	3,510,476
Furniture	63,385	12,619	50,766	55,104
Landscaping	61,513	11,483	50,030	48,476
Signage	20,296	3,923	16,373	17,275
Computer Equipment	4,277	1,403	2,874	2,225
	\$ 4,205,439	359,667	3,845,772	3,633,556

4. FUNDRAISING EXPENSES

As required under section 7(2) of the Charitable Fundraising Regulation of Alberta, the following amounts are disclosed:

Direct costs incurred for the purpose of soliciting contributions \$94,762 (2019 - 67,500).

Amounts paid as remuneration to employees whose principal duties involve fundraising \$NIL (2019 - \$Nil).

HOMES FOR HEROES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
(Audited)

December 31, 2020

5. RELATED PARTY TRANSACTIONS

During the fiscal year, \$78,434 (2019 - \$162,500) were paid to board members or companies of board members. At fiscal year end, there were accounts receivables of \$0 (2019 - 2,613) and payables of \$201 (2019 - \$4,079) outstanding to these related parties. The measurement basis is regular trade value.

100% of the Board of Directors were sitting on the Board of directors of another not-for-profit organisation until May 2020. During the fiscal year (until May 2020), Homes for Heroes Foundation received a donation from one the organizations of \$50,000 (2019 \$100,000).

6. PREPAID EXPENSE

Prepaid expense consists of insurance of \$3,654 (2019 - \$4,373), prepaid event expenses of \$37,425 (2019 Nil), rent and damage deposit \$4,780 (2019 - 4780) and other prepayments for 2021.

7. CONTINGENCY

The Foundation filed a law suit for losses incurred due to breach of terms of the lease agreement between the Canadian National Institute for the Blind (CNIB) and Homes for Heroes Foundation for land located at 15 Colonel Baker Place. The outcome cannot be determined at this time.

8. GRANTS

	<u>2020</u>	<u>2019</u>
CMHC Affordable Housing	\$ 1,000,000	\$ -
Alberta Social Housing Corporation (ASHC)	1,100,000	-
Ontario Mortgage & Housing Corporation (OMHC)	200,000	-
Canada Emergency Wage Subsidy	58,443	-
CMHC Seed Funding	29,500	-
Temporary Wage Subsidy	5,500	-
City of Calgary HIP Development Grants	-	133,944
	<u>\$ 2,393,443</u>	<u>\$ 133,944</u>

9. DONATIONS

The main donees were: Canadian Pacific Railways \$212,271 donation match, Canadian Pacific Railways Spin for a Veteran 2020 fundraiser \$212,271, ATCO \$100,000, Toronto Dominion Bank \$100,000, Canadian Legacy Project \$100,000. (2019: ATCO \$1,500,000, TC Energy \$119,972, CP Rail golf fundraiser \$113,648).

HOMES FOR HEROES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
(Audited)

December 31, 2020

10. RESTATEMENT

The Board of directors adopted the policy to capitalize the uncollectable GST on capital assets retro-active to the fiscal year ended December 31, 2019. This resulted in an increase in property and equipment for 2019 of \$32,962 and an increase in net assets of \$32,962 for 2019.

11. UNCERTAINTY DUE TO THE COVID-19 PANDEMIC

There were fewer donations this year, due to the COVID-19 pandemic. No fundraising events could be held. This effected the overall revenue for the year. Given the dynamic nature of the pandemic and the uncertainty how long it would last, the financial impact cannot be reasonably estimated at this time. The Foundation depends on donations and fundraising events to be able to fulfil their objectives.