



Financial Statements

HeroWork Program Society

December 31, 2019

Contents

	Page
Independent Auditor's Report	1-2
Statement of Operations and Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-11

Independent Auditor's Report

Grant Thornton LLP

Suite 650
1675 Douglas Street
Victoria, BC
V8W 2G5

T +1 250 383 4191
F +1 250 381 4623

To the Members of HeroWork Program Society

Qualified Opinion

We have audited the financial statements of HeroWork Program Society ("the Society"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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 Society'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 Society'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 Society 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.

Victoria, Canada
April 23, 2020



Chartered Professional Accountants

HeroWork Program Society

Statement of Operations and Changes in Net Assets

Year ended December 31

	HeroWork Canada 2019	HeroWork Victoria 2019	Total 2019	Total 2018
Revenues				
Fundraising	\$ -	\$ 115,444	\$ 115,444	\$ 109,913
Grants (Note 5)	116,105	94,370	210,475	192,783
Radical Renovation fees	-	347,258	347,258	272,100
Other	35	8,496	8,531	7,183
	116,140	565,568	681,708	581,979
Expenditures				
Accounting & legal	-	8,309	8,309	3,368
Advertising & promotion	-	392	392	845
Computer services & software	-	4,005	4,005	2,841
Contracted services	16,963	10,395	27,358	16,175
Financial processing fees	178	778	956	1,616
Insurance - liability & volunteer	-	7,497	7,497	6,023
Membership & professional development	3,500	1,381	4,881	7,927
Office rent	5,028	12,443	17,471	12,600
Office supplies, printing & postage	-	3,672	3,672	3,311
Renovation materials & labour (Note 6)	-	239,871	239,871	166,954
Salary & benefits	90,180	283,165	373,345	237,045
Travel	276	-	276	2,216
Vehicle insurance & fuel	-	1,721	1,721	1,219
Other	15	3,377	3,392	5,622
	116,140	577,006	693,146	467,762
Excess (deficiency) of revenue over expenditures	\$ -	\$ (11,438)	\$ (11,438)	\$ 114,217
Net assets, beginning of year	4	125,577	125,581	11,364
Excess of revenue over expenditures	-	(11,438)	(11,438)	114,217
Net assets, end of year	4	114,139	114,143	125,581

See accompanying notes to the financial statements.

HeroWork Program Society

Statement of Financial Position

Year ended December 31

2019

2018

Assets

Current

Cash and cash equivalents	\$ 167,043	\$ 192,583
Accounts receivable (Note 3)	63,792	39,237
Goods and services tax recievable	4,182	5,947
Prepaid expenses and deposits	9,113	3,560

244,130 241,327

\$ 244,130 **\$ 241,327**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 48,593	\$ 14,376
Deferred Revenue (Note 4)	81,395	101,370

129,988 115,746

129,988 115,746

Net Assets

114,142 125,581

\$ 244,130 **\$ 241,327**

Commitments (Note 7)

On behalf of the Board

_____ Director _____

_____ Director

See accompanying notes to the financial statements.

HeroWork Program Society

Statement of Cash Flows

Year ended December 31

2019

2018

	<u>Total</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenditures	\$ (11,439)	114,218
Changes in non-cash working capital items		
Accounts receivable	(24,555)	(35,400)
Accounts payable	34,217	(2,501)
Deferred revenue	(19,975)	4,543
Good and services tax recievable	(622)	(6,802)
Prepaid expenses and deposits	(3,166)	28,217
Increase (decrease) in cash flow	(25,540)	102,275
Cash, beginning of year	<u>192,583</u>	<u>90,308</u>
Cash, end of year	<u>\$ 167,043</u>	<u>192,583</u>

See accompanying notes to the financial statements.

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

1. Purpose of the society

The purpose of HeroWork Program Society (the "Society") is to increase the capability, efficiency and support of charities by completing high quality renovations through special community events called Radical Renovations.

The Society was incorporated under Canada Not-For-Profit Corporations Act on July 29, 2014. The Society has been approved by Canada Revenue Agency as a registered charity under paragraph 149(1)(f) of the Income Tax Act of Canada, subject to compliance with the rules contained therein.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are made. 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.

Tangible capital assets

Until the current period, as an allowable option under Canadian accounting standards for not-for-profit organizations, the Society elected to expense tangible capital assets in the period in which they are purchased. For the year ended December 31, 2018, \$10,500 was expensed relating to computer software.

In the current period the Society changed its policy in conformity with Canadian accounting standards for not-for-profit organizations requirements for those not-for-profit organizations who exceed the size limitation for expensing tangible capital assets.

Purchased tangible capital assets are recorded at cost less, where applicable, any accumulated amortization and impairment losses. For the year ended December 31, 2019, purchased tangible capital assets were nil.

Categories of tangible capital assets are anticipated to include: motor vehicles, computer equipment, software, and office furniture.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances held by financial institutions.

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Significant estimates include the collectability of amounts receivable, accrual of accounts payable and deferred revenues and useful life of tangible capital assets.

Financial instruments

The Society considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Society accounts for the following as financial instruments:

- Cash
- Accounts receivable
- Accounts payable and accrued liabilities

A financial asset or liability is recognized when the Society becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

The Society subsequently measures all of its financial assets and financial liabilities at amortized cost.

Related party transactions

Related parties of the Society are considered to be board members, companies of board members, and staff who have a direct impact on daily operations of the Society. Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are in the normal course of operations.

Donated goods and services

The Society records donated goods and services in those cases where:

- The Society controls the way they are used;
- There is a measurable basis for arriving at fair values; and
- The goods and services are essential to operations, which would normally be purchased and paid for, if not donated.

The Society receives significant donations of services by volunteers that have not been reflected in these financial statements.

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

3. Accounts receivable

	<u>2019</u>	<u>2018</u>
Project fees receivable	\$ 47,000	\$ 32,500
Rotary grant receivable	10,000	-
Donations receivable	6,022	6,737
Other	770	-
	<u>\$ 63,792</u>	<u>\$ 39,237</u>

4. Deferred revenue

	<u>2019</u>	<u>2018</u>
Anonymous	\$ 81,395	\$ 92,500
United Way	-	5,000
Victoria Foundation	-	3,870
	<u>\$ 81,395</u>	<u>\$ 101,370</u>

5. Grants

	<u>2019</u>	<u>2018</u>
Anonymous	\$ 111,105	\$ 99,000
Boomers Foundation	20,000	20,000
Telus	20,000	20,000
VanCity	15,000	-
Victoria Real Estate Board	12,500	10,000
Rotary	15,000	16,000
Victoria Foundation	6,870	11,130
United Way of Greater Victoria	5,000	-
Peninsula Co-Op	5,000	10,000
Real Estate Foundation of British Columbia	-	6,653
	<u>\$ 210,475</u>	<u>\$ 192,783</u>

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

6. Radical renovation costs

Total renovation costs recorded in the financial statements are broken out as follows:

	<u>2019</u>	<u>2018</u>
Our Place Therapeutic Recovery Community	\$ 129,092	\$ -
Peers Victoria Resource Society	105,383	-
Mustard Seed Food Rescue Kitchen	2,256	71,632
Mustard Seed Dignity Market	1,211	95,322
Other	<u>1,929</u>	<u>-</u>
	<u>\$ 239,871</u>	<u>\$ 166,954</u>

HeroWork makes lives better by transforming charities and building stronger communities. The Society does this by executing renovations that are designed to empower the long-term visions of other charities, enabling them to be more sustainable, innovative, and better serve vulnerable populations.

To date HeroWork has completed twelve major charity renovations, affecting a wide array of social challenges from food security to homelessness, from mental illness to addiction. Each time a renovation is completed the partner charity is lifted up and able to better serve their constituents for many years to come. The ripple effect impacts staff, volunteers, clients, neighbours, and make the society more financially viable.

In a typical year HeroWork engages over 100 companies and many hundreds of volunteers, many of them professionals and skilled trades. Together they participate in huge community events through which these comprehensive renovations are completed in a fraction of normal time and costs. HeroWork described these events as modern day barn raisings.

During the current year, the Society completed two new renovation projects:

Our Place Therapeutic Recovery Community: This project, completed in five weekends in May and June 2019, transformed parts of a former youth detention centre into a home-like residential setting for up to fifty men who have suffered homelessness, incarceration, and addiction. Renovation elements included expanding the dining room, a new arts studio, library space, games room, nursing station, upgrading bathrooms, converting twenty-five jail cells into beautiful bedrooms, raised garden beds for food production, and a longhouse style pavilion.

Peers Victoria Resource Society: Peers is a society that advocated and serves people in the sex worker industry. This project was a top to bottom renovation completed over six weeks in October and November 2019. The building's layout was completely redesigned to suit the society's needs. Renovation elements included an upper floor extension, an expanded brand new kitchen, a teaching space, new shower, dining area, clothing bank, new stairs, upgraded electrical and plumbing, HVAC, nurse's station, counselling area, improved outdoor space and much more.

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

6. Radical renovation costs (continued)

During the prior year the Society had two renovation projects as follows:

Mustard Seed Food Rescue Kitchen: Completed over four weekends in May and June 2019, HeroWork built a large commercial processing kitchen to process 40,000 pounds of annual food waste into soup, sauces, and stocks that distributed to dozens of non-profit agencies across the region. The project included extensive excavations and remedial work, 3-phase power and electrical, stainless steel appliances with custom hood and venting with fire suppression, new offices, new bathrooms, and much more.

Mustard Seed Dignity Market: This project, completed in four weeks in October 2018, transformed the Mustard Seed Food Bank into a grocery store style market, providing the dignity of choice to vulnerable people and families. The project included extending the Mustard Seed's upper floor over the warehouse to add three additional offices, a staff common room and kitchen, new paint, refrigeration units, HVAC, electrical upgrades, shelving, and much more.

7. Commitments

At year end the Society has an outstanding contractual obligation with Cornerstone Properties. These contracts relate to the 3 year rental lease agreement with Cornerstone Properties and extends from October 1, 2019 to September 20, 2022. Total commitments for the next 3 years are \$88,693.

8. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operation for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As a result of these events, the Society has had to make changes to the operations as described below:

The Society has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Society for future periods.

Projects

The Society plans to complete the project originally scheduled for the Spring of 2020 but as a result of measures implemented to limit the size of people in groups, the project completion timeline and plan will be changed.

HeroWork Program Society

Notes to the Financial Statements

December 31, 2019

8. Subsequent events (continued)

Rather than complete the project over a short period of time with many volunteers, the volunteers and staff on site will be limited to those allowed under regulations and the project will be completed over a longer period of time which is estimated to be between five and six months.

Finally, the Society expects that the project originally scheduled for the Spring of 2020 will be the only project completed in the year. The project originally scheduled for the Fall of 2020 will be completed instead in the Spring of 2021.

Funding

The impact of COVID-19 has been felt by businesses as well as individuals. As such, there is uncertainty as to whether the economic impact of the virus will have an impact on future donations to the Society, including from individuals, businesses, or government programs.

9. Comparative figures

Some prior year amounts have been reclassified to conform to current year presentation format.
