



Financial Statements

HeroWork Program Society

December 31, 2020

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Independent Auditor's Report

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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, 2020, 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, 2020, 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, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our opinion on the financial statements for the year ended December 31, 2019 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 28, 2021



Chartered Professional Accountants

HeroWork Program Society

Statement of Operations and Changes in Net Assets

Year ended December 31

	HeroWork Canada 2020	HeroWork Victoria 2020	Total 2020	Total 2019
Revenues				
Fundraising	\$ 18,750	\$ 129,818	\$ 148,568	\$ 120,444
Grants (Note 5)	215,620	186,882	402,502	205,475
Radical Renovation fees	19,489	173,402	192,891	347,258
Other	1,930	4,581	6,511	8,531
	<u>255,789</u>	<u>494,683</u>	<u>750,472</u>	<u>681,708</u>
Expenditures				
Accounting & legal	11,907	-	11,907	8,309
Advertising & promotion	-	711	711	392
Computer services & software	5,783	7,191	12,974	4,005
Contracted services	37,228	-	37,228	27,358
Financial processing fees	80	96	176	956
Insurance - liability & volunteer	7,943	-	7,943	7,497
Membership & professional development	7,750	720	8,470	4,881
Office rent	11,587	21,516	33,103	17,471
Office supplies, printing & postage	97	3,519	3,616	3,672
Renovation materials & labour (Note 6)	-	149,125	149,125	239,871
Salary & benefits	134,340	288,874	423,214	373,345
Travel	212	-	212	276
Vehicle insurance & fuel	-	1,349	1,349	1,721
Other	296	2,439	2,735	3,392
	<u>217,223</u>	<u>475,540</u>	<u>692,763</u>	<u>693,146</u>
Excess (deficiency) of revenue over expenditures	\$ <u>38,566</u>	\$ <u>19,143</u>	\$ <u>57,709</u>	\$ <u>(11,438)</u>
Net assets, beginning of year				
	4	114,139	114,143	125,581
Excess of revenue over expenditures				
	<u>38,566</u>	<u>19,143</u>	<u>57,709</u>	<u>(11,438)</u>
Net assets, end of year				
	<u>38,570</u>	<u>133,282</u>	<u>171,852</u>	<u>114,143</u>

See accompanying notes to the financial statements.

HeroWork Program Society

Statement of Financial Position

Year ended December 31

	HeroWork Canada 2020	HeroWork Victoria 2020	Total 2020	2019
Assets				
Current				
Cash and cash equivalents	\$ 102,570	\$ 108,047	\$ 210,617	\$ 167,043
Accounts receivable (Note 3)	-	80,391	80,391	63,792
Goods and services tax receivable	1,777	4,145	5,922	4,182
Prepaid expenses and deposits	6,721	4,477	11,198	9,113
	<u>111,068</u>	<u>197,060</u>	<u>308,128</u>	<u>244,130</u>
	<u>\$ 111,068</u>	<u>\$ 197,060</u>	<u>\$ 308,128</u>	<u>\$ 244,130</u>
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 2,500	\$ 34,321	\$ 36,821	\$ 48,592
Deferred revenue (Note 4)	69,998	29,457	99,455	81,395
	<u>72,498</u>	<u>63,778</u>	<u>136,276</u>	<u>129,987</u>
	<u>72,498</u>	<u>63,778</u>	<u>136,276</u>	<u>129,987</u>
Net Assets	<u>38,570</u>	<u>133,282</u>	<u>171,852</u>	<u>114,143</u>
	<u>\$ 111,068</u>	<u>\$ 197,060</u>	<u>\$ 308,128</u>	<u>\$ 244,130</u>

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

	HeroWork Canada 2020	HeroWork Victoria 2020	Total 2020	Total 2019
Increase (decrease) in cash and cash equivalents				
Operating				
Excess (deficiency) of revenue over expenses	\$ 38,566	\$ 19,143	\$ 57,709	(11,438)
Changes in non-cash working capital items				
Accounts receivable	-	(17,620)	(16,599)	(24,556)
Accounts payable	(13,203)	1,432	(11,771)	34,217
Deferred revenue	(11,397)	29,457	18,060	(19,975)
Good and services tax receivable	(1,777)	37	(1,740)	(622)
Prepaid expenses and deposits	(4,406)	2,321	(2,085)	(3,166)
	<u>(30,783)</u>	<u>15,627</u>	<u>(14,135)</u>	<u>(14,102)</u>
Financing				
Net proceeds on receipt of Federal CEBA loan	-	30,000	30,000	-
Repayment of loan	-	(30,000)	(30,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash flow	7,783	34,770	43,574	(25,540)
Cash, beginning of year	<u>94,787</u>	<u>72,256</u>	<u>167,043</u>	<u>192,583</u>
Cash, end of year	\$ <u>102,570</u>	\$ <u>107,026</u>	\$ <u>210,617</u>	<u>167,043</u>

See accompanying notes to the financial statements.

HeroWork Program Society

Notes to the financial statements

December 31, 2020

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.

Fund accounting

The Society presents the assets, liabilities and results of operations separately by fund.

The HeroWork Canada Fund accounts for the activities of HeroWork Canada, including the development of the Social Franchise model and related expenditures and funding.

The HeroWork Victoria Fund accounts for the activities of HeroWork Victoria, including the planning and provision of Radical Renovations to charitable organizations in the Victoria area.

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.

Revenue earned on contracts through Radical Renovations are recognized on the basis of milestone achievements as set out in the contracts. The method is used because management considers the milestones to be the best available measure of progress on these contracts.

HeroWork Program Society

Notes to the financial statements

December 31, 2020

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are capitalized for tangible items that exceed a unit cost of, or accumulated completion cost of, \$2,000 or higher. Half a year's amortization is recorded in the year of acquisition and the year of disposal.

To date, no tangible capital assets have been purchased. 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.

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.

HeroWork Program Society

Notes to the financial statements

December 31, 2020

2. Summary of significant accounting policies (continued)

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.

During 2020 no transactions were entered in to with related parties (2019: \$Nil).

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.

3. Accounts receivable

	<u>2020</u>	<u>2019</u>
Project fees receivable	\$ 29,902	\$ 47,000
Donations receivable	29,878	6,022
Government assistance	20,611	-
Rotary grant receivable	-	10,000
Other	-	770
	<u>\$ 80,391</u>	<u>\$ 63,792</u>

4. Deferred revenue

	<u>2020</u>	<u>2019</u>
Anonymous	\$ 55,000	\$ 81,395
VanCity Credit Union	29,457	-
Victoria Foundation	14,998	-
	<u>\$ 99,455</u>	<u>\$ 81,395</u>

HeroWork Program Society

Notes to the financial statements

December 31, 2020

5. Grants

	<u>2020</u>	<u>2019</u>
Government assistance	\$ 153,508	\$ -
Anonymous	126,395	111,105
All in One Fund	40,000	-
Jawl Foundation	40,000	-
Victoria Foundation	23,002	6,870
Victoria Real Estate Board	10,054	12,500
Rotary	5,000	15,000
United Way of Greater Victoria	2,000	5,000
Home Depot	2,000	-
VanCity Credit Union	543	15,000
Boomers Foundation	-	20,000
Telus	-	20,000
	<u>\$ 402,502</u>	<u>\$ 205,475</u>

6. Radical renovation costs

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

	<u>2020</u>	<u>2019</u>
Kiwanis/Young Moms YWCA	\$ 144,860	\$ -
Our Place Therapeutic Recovery Community	-	129,092
Peers Victoria Resource Society	(2,115)	105,383
Other	6,380	5,396
	<u>\$ 149,125</u>	<u>\$ 239,871</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 fourteen 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.

HeroWork Program Society

Notes to the financial statements

December 31, 2020

6. Radical renovation costs (continued)

Because of new COVID-19 protocols in place during 2020, instead of undertaking two projects over six to eight weeks each, the Society completed only one renovation project stretched over eight months to significantly reduce the number of volunteers on site at any one time (see Note 8).

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

YM/YWCA Young Moms Program at Kiwanis Victoria Family Centre: This project refreshed eight existing suites, including new paint, baseboard, countertops, heaters, kitchen and bathroom repairs, and blinds. Two brand new suites were designed and built in the gutted basement, which increased the housing capacity by 25%. The leaky foundation was repaired, the “free store” in the basement was significantly upgraded, much of the exterior was painted, the parking lot was expanded, and beautiful low maintenance landscaping was installed. An outdoor adventure playground for toddlers was designed and built in the backyard.

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

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.

7. Commitments

At year end the Society has an outstanding contractual obligation with Cornerstone Properties. These contracts relate to the 2-year rental lease agreement with Cornerstone Properties and extends from October 1, 2019 to September 20, 2022. Total commitments for the next 2 years are \$100,480.

HeroWork Program Society

Notes to the financial statements

December 31, 2020

8. Impact of COVID-19

On March 11, 2020 the World Health Organization declared the COVID-19 outbreak a pandemic which has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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.

Because of COVID-19 protocols in place during 2020, the Society had one renovation project over eight months instead of two projects over six to eight weeks each (see Note 6). Volunteer shifts were scheduled for five days a week. The number of volunteers on site at any time was limited, and they were deployed to different indoor and outdoor locations under strict COVID-19 protocols related to physical distancing, mask requirements, and cleaning of tools and equipment. The renovation project originally planned for the Fall of 2020 has been rescheduled to the Spring of 2021.

With only one renovation project instead of two, Radical Renovation fees in 2020 were significantly less than originally planned and were 44% less than in the prior year. As a result, the Society was eligible for the Canadian Emergency Wage Subsidy (CEWS) Federal funding program for several months in 2020.

For 2021, the Society plans to complete two Radical Renovation projects. The Society believes that this will be possible due to the labor requirements being significantly different from the project completed in 2020. The project scheduled for the Spring of 2021 will require fewer volunteer hours and more hours from technical trade workers who have experience working on site during the COVID-19 pandemic.

In the Spring, the Salvation Army Addictions & Rehabilitation Centre project will completely overhaul their commercial kitchen, redesign and rebuild the dining area, refresh exterior deficiencies, renovate eight individual residential suites into two dormitories for twenty in order to shelter more men. In the Fall, the Indigenous Perspectives Society project will reconfigure spaces that accommodate up to 50 participants, including four new breakout rooms, redesign the interior layout to improve operational efficiencies and sustainability, add soundproofing to allow for better focus of participants and staff, install additional washrooms, and redesign the building façade and landscaping to reflect Indigenous cultures.

The COVID-19 pandemic compelled the Society to defer their expansion plans for HeroWork Canada while continuing to prepare for the expansion. Behind the scenes the Society developed new branding, graphics, IT systems, procedures, and governance procedures for HeroWork Canada. One of the first deliverables planned for 2021 is to complete a needs assessment of charitable infrastructure in communities in the lower mainland area of BC. The Society wants to identify the amount of charities who own, rent, and lease their properties in order to understand the condition of their buildings and determine the demand for renovations. With this data the Society plans to choose its next chapter location and start empowering a new team to transform other charities, strengthening even more communities.
