



Financial Statements

HeroWork Program Society

December 31, 2021

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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, 2021, 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, 2021, 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, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our opinion on the financial statements for the year ended December 31, 2020 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
March 23, 2022



Chartered Professional Accountants

HeroWork Program Society

Statement of Operations and Changes in Net Assets

Year ended December 31

	HeroWork Canada 2021	HeroWork Victoria 2021	Total 2021	Total 2020
Revenues				
Radical Renovation fees	\$ 52,389	\$ 471,504	\$ 523,893	\$ 192,891
Fundraising	31,157	258,743	289,900	148,568
Grants (Note 5)	199,654	154,458	354,112	248,994
Government subsidies (Note 8)	36,947	77,464	114,411	153,508
Other	2,500	11,500	14,000	6,511
	<u>322,647</u>	<u>973,669</u>	<u>1,296,316</u>	<u>750,472</u>
Expenditures				
Accounting & legal	18,343	-	18,343	11,907
Advertising & promotion	2,057	1,141	3,198	711
Computer services & software	22,145	913	23,058	12,974
Contracted services	27,430	-	27,430	37,228
Financial processing fees	178	72	250	176
Insurance - liability & volunteer	10,261	-	10,261	7,943
Membership & professional development	5,974	2,191	8,165	8,470
Office rent	26,772	34,006	60,778	33,103
Office supplies, printing & postage	2,265	4,125	6,390	3,616
Renovation materials & labour (Note 6)	-	490,477	490,477	149,125
Salary & benefits	193,034	339,154	532,188	423,214
Travel	629	-	629	212
Vehicle insurance & fuel	15	2,242	2,257	1,349
Other	2,681	4,457	7,138	2,735
	<u>311,784</u>	<u>878,778</u>	<u>1,190,562</u>	<u>692,763</u>
Excess of revenue over expenditures	\$ <u>10,863</u>	\$ <u>94,891</u>	\$ <u>105,754</u>	\$ <u>57,709</u>
Net assets, beginning of year				
	38,570	133,282	171,852	114,143
Excess of revenue over expenditures				
	<u>10,863</u>	<u>94,891</u>	<u>105,754</u>	<u>57,709</u>
Net assets, end of year				
	<u>49,433</u>	<u>228,173</u>	<u>277,606</u>	<u>171,852</u>

See accompanying notes to the financial statements.

HeroWork Program Society

Statement of Financial Position

Year ended December 31

	HeroWork Canada 2021	HeroWork Victoria 2021	Total 2021	2020
Assets				
Current				
Cash and cash equivalents	\$ 141,506	\$ 196,435	\$ 337,941	\$ 210,617
Accounts receivable (Note 3)	-	75,770	75,770	80,391
Goods and services tax receivable	3,489	11,354	14,843	5,922
Prepaid expenses and deposits	16,348	8,987	25,335	11,198
	<u>161,343</u>	<u>292,546</u>	<u>453,889</u>	<u>308,128</u>
	<u>\$ 161,343</u>	<u>\$ 292,546</u>	<u>\$ 453,889</u>	<u>\$ 308,128</u>
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 6,567	\$ 33,116	\$ 39,683	\$ 36,821
Deferred revenue (Note 4)	105,343	31,257	136,600	99,455
	<u>111,910</u>	<u>64,373</u>	<u>176,283</u>	<u>136,276</u>
Net Assets	<u>49,433</u>	<u>228,173</u>	<u>277,606</u>	<u>171,852</u>
	<u>\$ 161,343</u>	<u>\$ 292,546</u>	<u>\$ 453,889</u>	<u>\$ 308,128</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 2021	HeroWork Victoria 2021	Total 2021	2020
Increase (decrease) in cash and cash equivalents				
Operating				
Excess of revenue over expenses	\$ 10,863	\$ 94,891	\$ 105,754	57,709
Changes in non-cash working capital items				
Accounts receivable	-	4,621	4,621	(16,599)
Accounts payable	4,067	(1,205)	2,862	(11,771)
Deferred revenue	35,345	1,800	37,145	18,060
Good and services tax receivable	(1,712)	(7,209)	(8,921)	(1,740)
Prepaid expenses and deposits	(9,627)	(4,510)	(14,137)	(2,085)
	<u>28,073</u>	<u>(6,503)</u>	<u>21,570</u>	<u>(14,135)</u>
Financing				
Net proceeds on receipt of Federal CEBA loan	-	20,000	20,000	30,000
Repayment of loan	-	(20,000)	(20,000)	(30,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in cash flow	38,936	88,388	127,324	43,574
Cash, beginning of year	<u>102,570</u>	<u>108,047</u>	<u>210,617</u>	<u>167,043</u>
Cash, end of year	<u>\$ 141,506</u>	<u>\$ 196,435</u>	<u>\$ 337,941</u>	<u>210,617</u>

See accompanying notes to the financial statements.

HeroWork Program Society

Notes to the financial statements

December 31, 2021

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, 2021

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, 2021

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 2021 no transactions were entered in to with related parties (2020: \$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>2021</u>		<u>2020</u>
Project fees receivable	\$ 48,744	\$	29,902
Donations receivable	27,026		29,878
Government assistance	-		20,611
	<u>\$ 75,770</u>	<u>\$</u>	<u>80,391</u>

4. Deferred revenue

	<u>2021</u>		<u>2020</u>
Anonymous	\$ 55,000	\$	55,000
McLean Foundation	20,000		-
VanCity Credit Union	20,000		29,457
Victoria Foundation	20,000		14,998
Indigenous Perspective Society	11,257		-
Seibens Foundation	10,343		-
	<u>\$ 136,600</u>	<u>\$</u>	<u>99,455</u>

HeroWork Program Society
Notes to the financial statements
December 31, 2021

5. Grants

	<u>2021</u>	<u>2020</u>
Anonymous	175,000	126,395
VanCity Credit Union	49,457	543
All in One Fund	40,000	40,000
Victoria Foundation	34,998	23,002
Jawl Foundation	10,000	40,000
Rotary	10,000	5,000
Peninsula Co-op	10,000	-
Seibens Foundation	9,657	-
Home Depot	8,000	2,000
Pomerleau Inc.	5,000	-
Hamber Foundation	2,000	-
Victoria Real Estate Board	-	10,054
United Way of Greater Victoria	-	2,000
	\$ 354,112	\$ 248,994

6. Radical renovation costs

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

	<u>2021</u>	<u>2020</u>
Salvation Army	\$ 306,741	\$ -
Indigenous Perspective Society	151,026	-
Other	21,173	6,380
Kiwanis/Young Moms YWCA	11,537	144,860
Peers Victoria Resource Society	-	(2,115)
	\$ 490,477	\$ 149,125

Radical Renovation costs include, but are not limited to permits, building materials and supplies, trade labour, appliances, fixtures, liability insurance, and professional architecture and engineering services. Some suppliers have elected to make a tax receiptable cash donation for some or all of the amounts paid to them for their services or materials. While these amounts are included in total donations revenues in these financial statements, they have the direct impact of reducing the overall costs of Radical Renovations.

During the current year, these donations referred to as “cheque exchange” donation, totaled \$62,669 (2020: \$46,194). Had these donations been applied directly to renovation costs in these financial statements, their impact on individual projects would have been as follows:

HeroWork Program Society

Notes to the financial statements

December 31, 2021

6. Radical renovation costs (continued)

	<u>Total costs</u>	Cheque exchange <u>donations</u>	<u>Net costs</u>
Salvation Army	\$ 306,741	\$ 45,321	\$ 261,420
Indigenous Perspective Society	151,026	6,342	144,684
Other	21,173	-	21,173
Kiwanis/Young Moms YWCA	<u>11,537</u>	<u>11,006</u>	<u>531</u>
	<u>\$ 490,477</u>	<u>\$ 62,669</u>	<u>\$ 427,808</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 sixteen 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 clients, making the charity more financially viable and strengthening the overall community.

In a typical year HeroWork engages well over 100 companies and many hundreds of volunteers, much 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 and calls them "Radical Renovations."

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

Salvation Army Victoria Addictions & Rehabilitation Centre (SA ARC): This Radical Renovation in the spring of 2021 included the complete overhaul of their huge commercial kitchen, including HVAC, electrical, plumbing services, stainless work and much more. New kitchen equipment was installed enabling a 20% increase in production. The food service area was updated with a newly configured workflow and increased efficiency. The dining area was redesigned, remediated, and rebuilt to be a more inviting space for clients. Two new dormitories were built, adding in twelve more emergency shelter beds. As well, common areas were refreshed, and exterior deficiencies were remediated. This comprehensive project increased the Salvation Army's Victoria ARC sustainability and capacity to offer more meals and beds to those in need. Plus, the speed of the project meant that the impact on their programming was greatly reduced when compared to a traditional renovation.

HeroWork Program Society

Notes to the financial statements

December 31, 2021

6. Radical renovation costs (continued)

Indigenous Perspective Society (IPS): This Radical Renovation in the fall of 2021 included natural light through new skylights to individual offices, redesigned lighting and HVAC systems, soundproofing between floors, relocation and addition of accessible and gender-neutral washrooms, new kitchenettes, improved traffic flow, new workspace configuration, a refreshed medicine room, and the expansion of training areas. The immediate impacts experienced in this aesthetically stunning transformation include more efficient workflows, reduced environmental footprint, and a deep sense of cultural safety. IPS can now accommodate up to 50 participants in circle, have additional breakout rooms for small group work, and add 200 new clients a year to its training programs, accommodating approximately 1500 people each year.

Because of COVID-19 safety protocols introduced by health authorities early in the prior year (2020), the Society undertook and completed one major renovation project only. The Society extended this single project over an eight-month period instead of delivering two projects over two different six-to-eight-week time periods.

The 2020 project was for the YM/YWCA Young Moms Program at Kiwanis Victoria Family Centre. This housing Radical Renovation project refreshed eight existing suites, including new paint, baseboards, countertops, heaters, kitchen and bathroom repairs, and blinds, and all the hot water systems were replaced with Hot water on demand. Two completely new suites were designed and built, which increased the housing capacity by 25%. The leaky foundation was repaired, the “free store” in the basement was gutted and significantly upgraded, much of the exterior of the building was painted, and the parking lot was expanded. A beautiful low maintenance landscaping was installed and an outdoor adventure playground for toddlers was built in the backyard.

7. Commitments

At year end the Society has an outstanding contractual obligation related to the 3-year rental lease agreement from October 1, 2019 to September 30, 2022. Total commitments for 2022 is \$48,324.

8. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 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.

HeroWork Program Society

Notes to the financial statements

December 31, 2021

8. Impact of COVID-19 (continued)

Because of COVID-19 protocols in place during 2020, the Society had only one renovation project over eight months instead of two projects over six to eight weeks each. Volunteer shifts were scheduled for 5 days a week, not just on weekends. The number of volunteers on site at any time was limited, and they were deployed to different zones (inside and outside locations) under strict COVID protocols related to physical distancing, wearing masks, cleaning of used tools etc. The renovation project originally planned for the fall of 2020 was moved to the spring of 2021.

For 2021, the Society had two Radical Renovation projects. COVID protocols continued to be strictly implemented, including limited number of volunteers on site per day, COVID questionnaires, masks, social distancing, washing/hand sanitizer stations and requirement for all volunteers and staff to show their “vaccine passport” starting in September 2021 to be allowed on site.

Both 2021 Radical Renovation projects took significantly longer than originally planned due to COVID related challenges, such as overall volunteer hesitancy, sporadic availability of volunteer skilled construction trades, and delays in the availability and timely delivery of materials due to global supply-chain issues. The impact of the 2021 elongated project timelines was to push back the Society’s ability to have all the time required for 2022 project planning, volunteer/sponsor recognition and cultivation, and new materials sponsor campaigns which happens outside of time spent during the Radical Renovation events.

Therefore, the Society plans to do only one Radical Renovation project in 2022, starting in late summer or early fall.

In 2021, the Society received federal government subsidies in relation to the COVID pandemic. The Society received \$12,284 of the Canada Emergency Rent Subsidy and \$92,128 of the Canada Emergency Wage Subsidy. These are recorded on the statement of operations and changes in net assets

The global COVID pandemic has also compelled the Society to “pause” its expansion plans for HeroWork Canada. In 2021 the Society completed the first phase of a needs assessment of charitable infrastructure in communities in the lower mainland of BC. The Society wants to know how many charities own, rent, and lease their properties. It wants to understand the condition of their buildings and how many need 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.

In 2022, the Society plans to complete the lower mainland needs assessment and feasibility study, conduct a social and economic impact study, and integrate these finding into its case for support.
