

HOPE PLACE CENTRES

Financial Statements

March 31, 2009

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AUDITORS' REPORT

To the Directors of Hope Place Centres

We have audited the balance sheet of Hope Place Centres as at March 31, 2009 and the statement of revenue and expenses for the year then ended. These financial statements are the responsibility of the Hope Place Centres's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Hope Place Centres derives revenue from contributions, fundraising and other sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the centre and we were not able to determine whether any adjustments might be necessary to contributions, fundraising and other revenues, excess of expenses over revenue, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, the accompanying balance sheet and statement of revenue and expenses present fairly, in all material respects, the financial position of the Hope Place Centres as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

HS & PARTNERS LLP

MISSISSAUGA, Ontario
May 16, 2009

Chartered Accountants
Licensed Public Accountants

HOPE PLACE CENTRES

Balance Sheet

March 31, 2009

| | 2009 | 2008 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 247,942 | \$ 232,925 |
| Restricted cash - Replacement Fund | 44,120 | 87,260 |
| Accounts receivable | 24,093 | 62,328 |
| Prepaid expenses | 5,309 | 8,912 |
| | 321,464 | 391,425 |
| INVESTMENTS (Note 3) | - | 131,384 |
| CAPITAL ASSETS (Note 6, 7) | 892,752 | 737,253 |
| | \$ 1,214,216 | \$ 1,260,062 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 88,141 | \$ 195,319 |
| Current portion of mortgage payable (Note 7) | 112,955 | 12,501 |
| Deferred benefit on resident fee income | 1,120 | 3,576 |
| | 202,216 | 211,396 |
| DEFERRED GRANTS (Note 8) | 64,399 | 72,168 |
| MORTGAGE PAYABLE (Note 7) | 156,989 | 169,944 |
| | 423,604 | 453,508 |
| CONTINGENT LIABILITY (Note 9) | | |
| NET ASSETS | | |
| Operating Fund (Note 11) | (115,708) | 81,828 |
| Capital Fund (Note 12) | 800,651 | 632,651 |
| Replacement Fund (Note 13) | 105,669 | 92,075 |
| | 790,612 | 806,554 |
| | \$ 1,214,216 | \$ 1,260,062 |

APPROVED BY THE BOARD

_____ Director

_____ Director

HOPE PLACE CENTRES
Statement of Revenue and Expenses
Year Ended March 31, 2009

| | 2009 | 2008 |
|---|--------------------|------------------|
| REVENUE | | |
| Government grants | \$ 1,580,952 | \$ 1,552,416 |
| Resident fees | 279,459 | 266,710 |
| United Way grants | 107,299 | 75,250 |
| Contributions and fundraising income | 52,645 | 60,906 |
| | <u>2,020,355</u> | <u>1,955,282</u> |
| EXPENSES | | |
| Staffing - Salaries and employee benefits | 1,313,736 | 1,259,295 |
| Facility costs | 306,506 | 227,346 |
| Administrative costs | 253,634 | 315,745 |
| Program costs | 169,362 | 137,715 |
| Allocation for kitchen costs | - | 15,400 |
| | <u>2,043,238</u> | <u>1,955,501</u> |
| LOSS FROM OPERATIONS <i>(Note 14)</i> | (22,883) | (219) |
| OTHER INCOME | | |
| Investment income | 6,907 | 15,740 |
| EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES <i>(Note 11)</i> | <u>\$ (15,976)</u> | <u>\$ 15,521</u> |

HOPE PLACE CENTRES
Notes to Financial Statements
March 31, 2009

1. PURPOSE AND LEGAL STATUS OF THE CENTRES

Hope Place Centres ("Centre" or "Centres") is an amalgamation of Hope Place Women's Treatment Centre and The Halton Recovery House. Amalgamation Letters Patent were registered on October 1, 2004 under the Corporation's Act of Ontario and is registered as a not-for-profit organization and has charitable status under the Income Tax Act, Canada. The Centre operates residential and outreach programs for women and men seeking freedom from addictive behaviors. It operates without a view to profit. Hope Place Women's Centre was originally incorporated on December 22, 1986 and the Halton Recovery House was incorporated on June 5, 1975.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Centre.

Fund Accounting

The Centre follows the restricted fund method of accounting which segregates equity related to the Capital Fund and the Replacement Fund from the Operating Fund.

The Capital Fund was established as a means of financing additions and replacement of capital equipment, as required. Income of the Fund is derived from grants and investment income on restricted assets. Use of the funds is restricted to items specifically approved by the Board of Directors and the funding agency, if applicable.

The Replacement Fund was established to satisfy the mortgage requirements of the mortgagee, Canada Mortgage and Housing Corporation. The Operating Fund is required to transfer amounts each year into the Fund. Expenses from the Fund are restricted to capital expenses approved by the Ontario Ministry of Health. Interest cost on mortgages is booked as a period cost and flows through the operating fund.

Revenue Recognition

Grants from the Local Health Integration Network ("LHIN" or "Government Grant") and other donor agencies are recognized as revenue in the respective programs of the Centre when it is received or receivable, with the exception of donations which are recognized on cash basis.

Fees for residents is recognized when received or receivable, except for residents referred by the automotive union, which is recognized on approval by the union or successful completion of treatment.

Contributed Materials

Contributed materials which are used in the normal course of the Centre's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

(continues)

HOPE PLACE CENTRES
Notes to Financial Statements

March 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Restricted Cash

Cash balance in a Bank savings account has been restricted for specific use of replacing capital assets.

Investments

Investments are considered held-for-trading and are recorded at fair value. Investment income is recorded on the accrual basis. Fair value is considered to be the quoted trading price of the underlying security.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at appraised value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Capital assets are amortized over their estimated useful lives at the following rates and methods:

| | | |
|--|----------|-------------------|
| Motor vehicles, furniture and computer equipment | 25% | straight line |
| Kitchen renovation costs | 15 years | straight line |
| Water well | 10% | declining balance |
| Paving | 8% | declining balance |
| Leasehold improvements | 13 years | straight line |
| Building | 5% | declining balance |

Amortization in the year of acquisition is recorded at one half of the above rates.

Deferred Revenue

Deferred revenue relating to grants, programs and resident fees is recorded based on criteria for recognizing revenue in subsequent periods.

Deferred Grants

Grants received from LHIN for the renovation of Kitchen cost and grants received from Ontario Trillium Foundation for purchase of computers has a derived benefit over the next 15 years and 3 years, respectively. These grants are credited to amortization cost over the respective period, which is in line with the amortization of Kitchen renovation costs and computer equipment cost asset accounts.

Measurement Uncertainty

The precise value of many assets and liabilities is dependent on future events. As a result, preparation of financial statements for a period involves the use of approximations which have been made using careful judgment. Actual results could differ from those approximations.

HOPE PLACE CENTRES
Notes to Financial Statements
March 31, 2009

3. INVESTMENTS

| | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------------|
| Guaranteed Investment Certificates with certain banks, bearing interest at rates ranging from 2.5% to 3.5% and maturing between January and February 2009 | <u>\$ -</u> | <u>\$ 131,384</u> |

4. STATEMENT OF CASH FLOWS

A statement of cash flows has not been provided because such a statement would not provide additional useful information since there are no material investing or financing activities that are not otherwise disclosed in these financial statements.

5. INCOME TAX STATUS

The Centre is a not-for-profit organization and is exempt from tax under the Income Tax Act, Canada, Subsection 149(1)(f).

HOPE PLACE CENTRES
Notes to Financial Statements
March 31, 2009

6. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2009 Net book value |
|------------------------------------|---------------------|-----------------------------|---------------------------|
| Furniture and fixtures | \$ 393,575 | \$ 385,448 | \$ 8,127 |
| Kitchen renovation costs | 92,779 | 9,248 | 83,531 |
| Motor vehicles | 46,743 | 46,181 | 562 |
| Computer equipment | 56,778 | 49,458 | 7,320 |
| Water well | 35,796 | 15,548 | 20,248 |
| Paving | 10,082 | 8,712 | 1,370 |
| Building | 323,776 | 182,498 | 141,278 |
| Leasehold improvements (see below) | 590,418 | 22,708 | 567,710 |
| Land | 62,606 | - | 62,606 |
| | <u>\$ 1,612,553</u> | <u>\$ 719,801</u> | <u>\$ 892,752</u> |

| | Cost | Accumulated amortization | 2008 Net book value |
|------------------------------|---------------------|-----------------------------|---------------------------|
| Furniture and fixtures | \$ 393,575 | \$ 378,571 | \$ 15,004 |
| Motor vehicles | 46,743 | 37,418 | 9,325 |
| Computer equipment | 56,778 | 45,031 | 11,747 |
| Kitchen | 93,068 | 3,062 | 90,006 |
| Water well | 35,796 | 13,299 | 22,497 |
| Paving | 10,082 | 8,593 | 1,489 |
| Building | 323,776 | 175,062 | 148,714 |
| Building deposit (see below) | 375,865 | - | 375,865 |
| Land | 62,606 | - | 62,606 |
| | <u>\$ 1,398,289</u> | <u>\$ 661,036</u> | <u>\$ 737,253</u> |

In prior years, the Centre received approval from the Ontario Ministry of Health to utilize surplus funds from the completed Early Childhood Program for the expansion and renovation of the Hope Place Women's facility. These monies, together with general fundraising, were transferred to an interest-bearing Trust Account by a motion of the Board of Directors and booked as a Building deposit.

In the current year, the Building deposit, together with additional funding was used for leasehold improvements. Approximately 95% of leasehold improvements were completed by the year end.

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Notes to Financial Statements
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7. MORTGAGE PAYABLE

| | 2009 | 2008 |
|---------------------------------------|-------------------|-------------------|
| CMHC Mortgage payable (See (i) below) | \$ 169,944 | \$ 182,445 |
| Second private mortgage (See (ii)) | <u>100,000</u> | <u>-</u> |
| | 269,944 | 182,445 |
| Less: Amounts payable within one year | <u>(112,955)</u> | <u>(12,501)</u> |
| Long-term portion | <u>\$ 156,989</u> | <u>\$ 169,944</u> |

(i) Canada Mortgage and Housing Corporation (CMHC) mortgage, bearing interest at 3.88% per annum, compounded semi-annually, due on February 1, 2010. Blended monthly payments of principal and interest of \$1,606 are required under the terms of the mortgage. The mortgage is secured by land and building occupied by The Halton Recovery House.

(ii) Second private mortgage, bearing interest at 14% per annum, compounded monthly, principal due on November 10, 2009. Interest only payments of \$1,167 are required under the term of the second mortgage. The second mortgage is secured by second ranking on land and building occupied by The Halton Recovery House.

8. DEFERRED GRANTS

| | 2009 | 2008 |
|---------------------------------------|------------------|------------------|
| Government and other grants | \$ 72,168 | \$ 75,627 |
| Less: Amount credited to amortization | <u>(7,769)</u> | <u>(3,459)</u> |
| Long-term portion | <u>\$ 64,399</u> | <u>\$ 72,168</u> |

9. CONTINGENT LIABILITY

The Centre has a contingent liability for a wrongful dismissal by a former employee in the amount of \$650,000. At the date of these financial statements, the Centre was unable to determine the likely outcome of this claim. No provision has been recorded in the accounts relative to this claim.

10. LEASE COMMITMENTS

The Centre has long-term leases with respect to its premises and equipment. Future minimum lease payments as at March 31, 2009 are as follows:

| | |
|------|-------------------|
| 2010 | \$ 50,964 |
| 2011 | <u>50,964</u> |
| | <u>\$ 101,928</u> |

HOPE PLACE CENTRES
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11. OPERATING FUND

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|------------------|
| Balance, beginning of year | \$ 81,828 | \$ 210,632 |
| Amortization of capital assets | 58,765 | 30,950 |
| Excess of (expenses over revenue) revenue over expenses, for the year | <u>(15,976)</u> | <u>15,521</u> |
| | 124,617 | 257,103 |
| Inter-fund transfers | | |
| Funding of asset acquisitions | (214,264) | (149,214) |
| Mortgage principal repayment | (12,501) | (12,501) |
| Mortgage required transfer | <u>(13,560)</u> | <u>(13,560)</u> |
| Balance, end of year | <u>\$ (115,708)</u> | <u>\$ 81,828</u> |

12. CAPITAL FUND

| | <u>2009</u> | <u>2008</u> |
|--------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 632,651 | \$ 501,886 |
| Inter-fund transfers | | |
| Funding of asset acquisitions | 214,264 | 149,214 |
| Mortgage principal repayment | <u>12,501</u> | <u>12,501</u> |
| | 859,416 | 663,601 |
| Amortization of capital assets | <u>(58,765)</u> | <u>(30,950)</u> |
| Balance, end of year | <u>\$ 800,651</u> | <u>\$ 632,651</u> |

13. REPLACEMENT FUND

| | <u>2009</u> | <u>2008</u> |
|----------------------------|-------------------|------------------|
| Balance, beginning of year | \$ 92,075 | \$ 78,180 |
| Investment income | 34 | 335 |
| Inter-fund transfers | | |
| Mortgage required transfer | <u>13,560</u> | <u>13,560</u> |
| Balance, end of year | <u>\$ 105,669</u> | <u>\$ 92,075</u> |

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Notes to Financial Statements
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14. LOSS FROM OPERATIONS

| | 2009 | 2008 |
|--|--------------------|-----------------|
| Residential treatment - Women <i>(Note 15)</i> | \$ (16,645) | \$ (11,280) |
| Residential treatment - Men <i>(Note 16)</i> | (2,365) | (23,398) |
| Early Childhood Development <i>(Note 17)</i> | (5,074) | 35,262 |
| Living Sober Program <i>(Note 18)</i> | 1,512 | (498) |
| Choices For Change <i>(Note 19)</i> | 464 | (305) |
| Family Program <i>(Note 20)</i> | (775) | - |
| | \$ (22,883) | \$ (219) |

15. RESIDENTIAL TREATMENT - WOMEN

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Government grants | \$ 647,474 | \$ 684,372 |
| Resident fees <i>(Note 17)</i> | 19,200 | - |
| United Way grants | 237 | - |
| Contributions and fundraising income | 39,174 | 27,422 |
| | 706,085 | 711,794 |
| Staffing - Salaries and employee benefits | (488,134) | (493,063) |
| Administrative costs | (65,461) | (105,712) |
| Facility costs | (139,203) | (96,670) |
| Program costs | (29,932) | (27,629) |
| | \$ (16,645) | \$ (11,280) |

16. RESIDENTIAL TREATMENT - MEN

| | 2009 | 2008 |
|---|-------------------|--------------------|
| Government grants | \$ 531,966 | \$ 486,434 |
| Resident fees | 275,619 | 266,710 |
| United Way grants | 34,986 | 37,750 |
| Contributions and fundraising income | 6,156 | 22,259 |
| | 848,727 | 813,153 |
| Staffing - Salaries and employee benefits | (508,521) | (497,728) |
| Administrative costs | (90,472) | (113,660) |
| Facility costs | (133,499) | (116,692) |
| Program costs | (118,600) | (93,071) |
| Allocation for kitchen costs | - | (15,400) |
| | \$ (2,365) | \$ (23,398) |

HOPE PLACE CENTRES
Notes to Financial Statements
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17. EARLY CHILDHOOD DEVELOPMENT

| | 2009 | 2008 |
|---|------------|------------|
| Government grants | \$ 381,512 | \$ 381,610 |
| Resident fees | (15,360) | - |
| Contributions and fundraising income | 6,082 | 9,327 |
| | 372,234 | 390,937 |
| Staffing - Salaries and employee benefits | (246,839) | (246,962) |
| Administrative costs | (93,807) | (81,186) |
| Facility costs | (21,856) | (16,279) |
| Program costs | (14,806) | (11,248) |
| | \$ (5,074) | \$ 35,262 |

Hope Place Women's Treatment Centre has started to provide fee-for-service residential care in fiscal 2009. The care has been provided to two pregnant women in the year. The residence fee for the pregnant women were recovered from Early Childhood Development Program. The recovery is based on the rationale that residence fees for pregnant women have been incurred to support Early Childhood Development initiative.

In the prior year, the surplus realized during the year has been approved by LHIN to be re-allocated to other programs of the Centres.

18. LIVING SOBER PROGRAM

| | 2009 | 2008 |
|---|-----------|-----------|
| United Way grants | \$ 15,345 | \$ 16,500 |
| Contributions and fundraising income | 1,234 | 1,433 |
| | 16,579 | 17,933 |
| Staffing - Salaries and employee benefits | (5,400) | (4,803) |
| Administrative costs | (1,580) | (3,565) |
| Facility costs | (7,070) | (7,755) |
| Program costs | (1,017) | (2,308) |
| | \$ 1,512 | \$ (498) |

HOPE PLACE CENTRES
Notes to Financial Statements
March 31, 2009

19. CHOICES FOR CHANGE

| | 2009 | 2008 |
|---|-----------------|-----------------|
| United Way grants | \$ 19,530 | \$ 21,000 |
| Contributions and fundraising income | - | 466 |
| | 19,530 | 21,466 |
| Staffing - Salaries and employee benefits | (11,782) | (11,766) |
| Administrative costs | (566) | (1,509) |
| Facility costs | (4,668) | (6,123) |
| Program costs | (2,050) | (2,373) |
| | \$ 464 | \$ (305) |

20. FAMILY PROGRAM

| | 2009 | 2008 |
|---|-----------------|-------------|
| Government grants | \$ 20,000 | \$ - |
| United Way grants | 37,200 | - |
| | 57,200 | - |
| Staffing - Salaries and employee benefits | (53,059) | - |
| Administrative costs | (1,748) | - |
| Facility costs | (210) | - |
| Program costs | (2,958) | - |
| | \$ (775) | \$ - |

During the year, the Centre commenced a new Family Program.

21. CAPITAL MANAGEMENT

The Centre considers its capital to be its Fund Balances. The Centre's objectives when managing its capital is to safeguard its ability to continue as a going concern and provide not-for-profit programs to individuals. The Directors monitor the Centre's financial position to ensure this objective is met and makes adjustments as necessary in light of changes in economic conditions and the risk characteristics of the Centre's underlying assets.

HOPE PLACE CENTRES
Notes to Financial Statements
March 31, 2009

22. FINANCIAL INSTRUMENTS

Fair Value

The Centre's financial instruments consist of cash, restricted cash - Replacement Fund, accounts receivable, accounts payable and mortgage payable. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk

The Centre may be exposed to a variety of financial risks including credit risk. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Centre. The Centre has credit risk to the extent that accounts receivable are not collectible. The Centre manages this risk by closely monitoring credit balances and ensuring delinquent accounts are pursued.
