

**EL Hogar Projects (Canada)**  
**Financial Statements**  
*December 31, 2020*

# EL Hogar Projects (Canada) Contents

*For the year ended December 31, 2020*

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To the Board of Director's of EL Hogar Projects (Canada):

## Qualified Opinion

We have audited the financial statements of EL Hogar Projects (Canada) (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and 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 effects of the matters 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 Organization as at December 31, 2020, and the results of its 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 charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of El Hogar Projects (Canada).

Also, it was not possible to verify the accuracy of deferred revenue or revenue as external evidence is not available to support whether amounts received or disbursed were related to external restrictions. The amounts recorded in these financial statements reflect management's calculation of the amounts based on their internal records and our verification of these revenues was limited to these records.

As a result of the scope limitations above, we were not able to determine whether any adjustments might be necessary to revenue and excess of revenue over expenses for the years ended December 31, 2020 and December 31, 2019, and assets, liabilities, and net assets as at December 31, 2020 and December 31, 2019.

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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## 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.

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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 Organization'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 Organization'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 Organization 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.

Mississauga, Ontario

September 12, 2022

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# EL Hogar Projects (Canada) Statement of Financial Position

As at December 31, 2020

	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	284,216	203,740
Short-term investments (Note 3)	210,918	152,224
Government remittances receivable	8,592	7,448
	503,726	363,412
<b>Investments (Note 3)</b>	61,297	79,168
	565,023	442,580
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	16,611	16,611
Deferred revenue (Note 4)	237,419	135,816
	254,030	152,427
<b>Net Assets</b>	310,993	290,153
	565,023	442,580

Approved on behalf of the Board

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Director

The accompanying notes are an integral part of these financial statements

**EL Hogar Projects (Canada)**  
**Statement of Operations and Changes in Net Assets**  
*For the year ended December 31, 2020*

	2020	2019
<b>Revenue</b>		
Donations - unrestricted (Note 5)	233,794	254,012
Donations - externally restricted (Note 4), (Note 5)	10,885	65,374
Interest	4,097	4,208
Fundraising	6,642	2,673
Gain on short-term investments	1,527	717
	<b>256,945</b>	<b>326,984</b>
<b>Expenses</b>		
Donations (Note 5)	222,867	235,581
Professional fees	7,362	16,925
Events	1,838	678
Office and general	1,717	699
Bank charges	1,379	893
Insurance	-	1,307
	<b>235,163</b>	<b>256,083</b>
<b>Excess of revenue over expenses before other items</b>	<b>21,782</b>	<b>70,901</b>
<b>Other items</b>		
Unrealized foreign exchange (loss) gain	(942)	3,379
<b>Excess of revenue over expenses</b>	<b>20,840</b>	<b>74,280</b>
<b>Net assets, beginning of year</b>	<b>290,153</b>	<b>215,873</b>
<b>Net assets, end of year</b>	<b>310,993</b>	<b>290,153</b>

*The accompanying notes are an integral part of these financial statements*

## EL Hogar Projects (Canada)

### Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash receipts from fundraising and donations	353,306	336,714
Cash payments for donations to Los Proyectos De El Hogar	(222,867)	(235,582)
Cash payments to service providers	(12,296)	(17,538)
Interest received	3,998	3,940
	122,141	87,534
<b>Investing</b>		
Net purchase of investments	(40,723)	(106,173)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>81,418</b>	<b>(18,639)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>203,740</b>	<b>219,000</b>
<b>Net effect of translation on foreign currency cash and cash equivalents</b>	<b>(942)</b>	<b>3,379</b>
<b>Cash and cash equivalents, end of year</b>	<b>284,216</b>	<b>203,740</b>
<b>Non-cash transactions</b>		
Short-term investment donations received	35,106	66,195

The accompanying notes are an integral part of these financial statements

**1. Purpose of the Organization**

EL Hogar Projects (Canada) (the "Charity" or "EHPC") raises funds to support centers operated by Los Proyectos De El Hogar that provide shelter, food, clothing and education to the children of Honduras. The Charity is incorporated without share capital under the Canada Not-for-profit Corporations Act, and is a registered charity under the Income Tax Act. Accordingly, the Charity is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

***Financial instruments***

The Charity recognizes its financial instruments when the Charity becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 5).

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations.

At initial recognition, the Charity may irrevocably elect to subsequently measure any other financial instrument at fair value. The Charity has not made such an election during the year.

Financial assets measured at amortized cost consist of cash, guaranteed investment certificates, and bonds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

***Impairment of financial instruments***

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

***Revenue recognition***

The Organization follows the deferral method of accounting for contributions. Unrestricted donations and fundraising revenue are recognized as revenue in the year received. Donations and fundraising revenue received which are externally restricted for expenses of a future period are deferred and recognized in the period in which the related expenses are incurred.

***Contributed services and materials***

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Charity's operations and would otherwise have been purchased.

Volunteers contribute an indeterminate number of hours during the year to assist the Organization in carrying out its services. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.



**EL Hogar Projects (Canada)**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2020*

**2. Significant accounting poligices** *(Continued from previous page)*

**Measurement uncertainty (use of estimates)**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

**3. Investments**

	2020	2019
<b>Measured at amortized cost</b>		
Guaranteed investment certificates	200,368	126,873
Bonds maturing between March 2022 and April 2026 bearing interest at rates varying between 1.17% and 2.12%.	61,297	79,168
	<b>261,665</b>	206,041
<b>Measured at fair value</b>		
Equities	10,550	25,351
	<b>272,215</b>	231,392
Less: current portion	<b>(210,918)</b>	(152,224)
	<b>61,297</b>	79,168

**4. Deferred revenue**

Deferred revenue represents donations received for specific campaigns or initiatives. Changes in the deferred revenue balance during the year are as follows:

	2020	2019
Balance, beginning of year	135,816	120,070
Donations received during the year	112,488	81,120
Donations recognized as revenue during the year	<b>(10,885)</b>	(65,374)
Balance, end of year	<b>237,419</b>	135,816

The balance of deferred revenue consists of the following:

	2020	2019
David N.L. Winsor Fund (i)	25,100	25,100
Shoes Fund (ii)	19,759	27,024
Book Project Fund (iii)	14,896	14,896
Development Campaign (iv)	5,176	5,176
Hansen Viking Scholarship (v)	172,488	60,000
Washing Machine Fund (vi)	-	3,620
	<b>237,419</b>	135,816

- i) The David N.L. Winsor Fund has been established to provide psychological counselling and behavioural guidance to students of El Hogar Projects.
- ii) The Shoes Fund has been established to provide shoes to students of El Hogar Projects.

**4. Deferred revenue** *(Continued from previous page)*

- iii) The Book Project Fund has been established to provide an active library and reading program to students of El Hogar Projects.
- iv) The Development Campaign was established to assist with hiring a development consultant to provide recommendations and advice to equip the Organization with better tools with which to raise funds for operating revenue, special projects and the infant legacy program.
- v) The Hansen Viking Scholarship was established to help fund schooling for children and students in Honduras.
- vi) The Washing Machine Fund is a board-designated initiative to buy washing machines for donees in Honduras.
- vii) The Post Secondary Education Initiative was established to assist with further education for El Hogar graduates wishing to attend college or university. The funds are spent on tuition, room and board, books and school supplies. No donations received were deferred at year end; however, the project is still ongoing.

**5. Related party contributions**

EHPC has an economic interest in Los Proyectos De El Hogar, resulting from an agency agreement between the organizations. EHPC's contributions to Los Proyectos De El Hogar are used by the organization to ultimately achieve EHPC's objective of providing shelter, food, clothing and education to the children of Honduras.

During 2020, EHPC contributed \$222,867 (2019 - \$235,581) to Los Proyectos De El Hogar for the various projects listed in note 4.

In addition, included in donations revenue for the year are contributions from directors totaling \$40,670 (2019 - \$65,036).

**6. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization has managed cash flow risk by investing primarily in fixed-rate investments. The fixed rates cause the fair value of these instruments to vary with changes in interest rates.

**7. COVID-19**

The global outbreak of COVID-19, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/ quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Organization's ability to generate revenue and deliver its objectives may be negatively impacted.