EL HOGAR PROJECTS (CANADA)

Financial Statements

Year Ended December 31, 2021

EL HOGAR PROJECTS (CANADA)
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Year Ended December 31, 2021

Chaggares & Bonhomme
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2021, and the statements of revenues and expenditures, 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 organization as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization 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 organization. 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 year ended December 31, 2021, current assets and net assets as at December 31, 2021. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of 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 organization in accordance with 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 audit opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on for the reasons described in the *Basis for Qualified Opinion* section.

(continues)

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 ASNPO, 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.

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.

(continues)

Chaggares & Bonhomme

Newmarket, Ontario
November 15, 2022

Chaggares & Bonhomme
Chartered Professional Accountants
Licensed Public Accountants

EL HOGAR PROJECTS (CANADA)

Statement of Financial Position

December 31, 2021

		2021		2020
ASSETS				
CURRENT				
Cash	**$**	**246,468**	$	284,216
Marketable securities *(Note 3)*		**354,381**		271,847
Accounts receivable		**-**		368
Harmonized sales tax recoverable		**11,689**		8,592
	$	**612,538**	$	565,023
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**22,611**	$	16,611
Deferred income *(Note 4)*		**147,347**		237,419
		169,958		254,030
NET ASSETS				
General fund		**442,580**		310,993
	$	**612,538**	$	565,023

ON BEHALF OF THE BOARD

_______________________ *Director*

_______________________ *Director*

See notes to financial statements

EL HOGAR PROJECTS (CANADA)

Statement of Revenues and Expenditures

Year Ended December 31, 2021

		2021		2020
REVENUES				
Event income	**$**	**10,006**	$	1,757
Non-receipted donations		**97,967**		6,642
Receipted donations		**296,480**		242,911
		404,453		251,310
EXPENSES				
Direct appeal expenses		**368**		523
Donations		**235,850**		222,867
Event expenses		**142**		1,299
Foreign exchange loss(gain)		**7,622**		942
Insurance		**1,437**		-
Interest and bank charges		**1,405**		2,157
Office		**814**		944
Professional fees		**28,575**		7,362
		276,213		236,094
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS		**128,240**		15,216
OTHER INCOME				
Unrealized gain on marketable securities		**594**		1,527
Interest income		**2,753**		4,097
		3,347		5,624
EXCESS OF REVENUES OVER EXPENSES	**$**	**131,587**	$	20,840

EL HOGAR PROJECTS (CANADA)

Statement of Changes in Net Assets

Year Ended December 31, 2021

	2021	2020
NET ASSETS - BEGINNING OF YEAR	**$ 310,993**	$ 290,153
EXCESS OF REVENUES OVER EXPENSES	**131,587**	20,840
NET ASSETS - END OF YEAR	**$ 442,580**	$ 310,993

See notes to financial statements

EL HOGAR PROJECTS (CANADA)

Statement of Cash Flows

Year Ended December 31, 2021

		2021		2020
OPERATING ACTIVITIES				
Excess of revenues over expenses	**$**	**131,587**	$	20,840
Item not affecting cash:				
Write-down of marketable securities		**(594)**		(1,527)
		130,993		19,313
Changes in non-cash working capital:				
Accounts receivable		**368**		(1,144)
Accounts payable and accrued liabilities		**5,999**		3
Deferred income		**(90,072)**		-
Harmonized sales tax payable		**(3,097)**		(1,144)
		(86,802)		(2,285)
Cash flow from operating activities		**44,191**		17,028
INVESTING ACTIVITY				
Proceeds from sale (purchase) of marketable securities		**(81,939)**		160,058
INCREASE (DECREASE) IN CASH FLOW		**(37,748)**		177,086
Cash - beginning of year		**284,216**		107,130
CASH - END OF YEAR	**$**	**246,468**	$	284,216
CASH CONSISTS OF:				
Cash	**$**	**246,468**	$	284,216

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year 2021 $Nil in goods were donated (2020 - $Nil).

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When the organization issues financial instruments that include both a debt and equity component, the entire proceeds are allocated to the debt component, and the equity component is assigned a measurement amount of $nil.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

Preferred shares that would otherwise be classified as liabilities, are classified as equity when issued as part of certain tax planning arrangements.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

(continues)

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

Investments and other non-cash assets

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary income from investments, receivables, and similar assets is accounted for in the fund owning the assets, with the exception of income derived from investment of endowments funds. Unrestricted endowment fund investments are accounted for as revenue of the operation fund or, if they are restricted, as deferred amounts until the terms of the restriction have been met.

Leases

Leases are classified as either capital or operating leases. At the time the organization enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

El Hogar Projects (Canada) follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Seminar fees are recognized as revenue when the seminars are held.

2. PURPOSE OF THE ORGANIZATION

El Hogar Projects (Canada) (the "organization") is a not-for-profit organization of Ontario.As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The organization operates to raises funds in Canada to support the transformative work of El Hogar Projects in Honduras: providing a quality education and a safe environment to Honduran children living in impoverished conditions.

3. MARKETABLE SECURITIES

	2021	2020

(continues)

3. MARKETABLE SECURITIES *(continued)*

		2021		2020
TD Direct Investing *(market value $10,355)*	**$**	**10,454**	$	10,550
National Bank Portfolio *(market value $140,782)*		**142,667**		61,297
TD GIC *(market value $201,260)*		**201,260**		200,000
	$	**354,381**	$	271,847

4. DEFERRED INCOME

		2021		2020
The David N.L. Winsor Fund	**$**	**20,100**	$	25,100
The Book Project Fund		**25,000**		14,896
The Shoes Fund		**19,759**		19,759
The Development Campaign		**-**		5,176
The Hansen Viking Scholarship		**82,488**		172,488
	$	**147,347**	$	237,419

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.

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.

5. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The overall effect of these events on the organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

6. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

EL HOGAR PROJECTS (CANADA)

454 Heath St E
East York, Ontario
M4G1B7

November 15, 2022
Confidential

Chaggares & Bonhomme
Chartered Professional Accountants
4-355 Harry Walker Parkway North
Newmarket Ontario L3Y 7B3

Dear Sirs:

Re: Management representations letter

This representation letter is provided in connection with your audit of the financial statements of El Hogar Projects (Canada) for the year ended December 31, 2021, for the purpose of you expressing an opinion as to whether the financial statements is presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 24, 2022 for:

a. Preparing and fairly presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations;

b. Providing you with:

    i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:

        A. Accounting records, supporting data and other relevant documentation,

        B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and

        C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;

    ii. Additional information that you have requested from us for the purpose of the audit; and

    iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.

c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and

d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

Fraud and Non Compliance

We have disclosed to you:

(continued)

a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
   i. Management;
   ii. Employees who have significant roles in internal control; or
   iii. Others where the fraud could have a material effect on the financial statements;
b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
e. The results of our risk assessments regarding possible fraud or error in the financial statements.

Related Parties

We have disclosed to you the identity of all of the organization's related-party relationships and transactions of which we are aware. This includes sales, purchases, loans, transfers of assets, liabilities and services, leasing agreements, guarantees, non-monetary transactions, and transactions for no consideration for the period ended as well as related balances due to or from such parties at the period end.

All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations.

Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

Subsequent Events

All events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations requires adjustment or disclosure have been adjusted or disclosed.

Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

Accounting policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

Contractual compliance

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

(continued)

Journal entries

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

Marketable securities

All marketable securities owned by us are recorded in the accounts. The marketable securities are measured at fair value.

All income earned for the period ended December 31, 2021 on these securities has been recognized in earnings along with any transaction costs incurred and changes in fair value.

Revenue recognition

We have recorded all revenue that met the following criteria:

a. Persuasive evidence of an arrangement exists;

b. Delivery has occurred, or services have been rendered;

c. Price is fixed or determinable; and

d. Collectability is reasonably assured.

Acknowledged and agreed on behalf of El Hogar Projects (Canada) by:

S Franklin

Ms. Susan Franklin

11 / 28 / 2022

Date signed

Title	Signatures for El Hogar Projects - 2021 Audit Engagement
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