

EL HOGAR PROJECTS (CANADA)
Financial Statements
Year Ended December 31, 2022

EL HOGAR PROJECTS (CANADA)
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Year Ended December 31, 2022

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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, 2022, 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, 2022, 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, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

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.

(continues)

Independent Auditor's Report to the Members of El Hogar Projects (Canada) *(continued)*

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.

Chaggares & Bonhomme

Newmarket, Ontario
March 28, 2023

Chaggares & Bonhomme
Chartered Professional Accountants
Licensed Public Accountants

EL HOGAR PROJECTS (CANADA)
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 175,965	\$ 246,468
Short term investments <i>(Note 3)</i>	328,940	211,714
Harmonized sales tax recoverable	6,342	11,689
	511,247	469,871
LONG TERM INVESTMENTS <i>(Note 4)</i>	137,789	142,667
	\$ 649,036	\$ 612,538
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,109	\$ 22,611
Deferred income <i>(Note 5)</i>	179,270	147,347
	185,379	169,958
NET ASSETS		
General fund	463,657	442,580
	\$ 649,036	\$ 612,538

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, 2022

	2022	2021
REVENUES		
Event income	\$ 19,784	\$ 10,006
Non-receipted donations	244	97,967
Receipted donations	291,175	296,480
	311,203	404,453
EXPENSES		
Advertising and promotion	240	-
Business taxes, licenses and memberships	102	-
Direct appeal expenses	410	368
Donations	272,277	235,850
Event expenses	2,206	142
Foreign exchange loss	2,341	7,622
Insurance	1,464	1,437
Interest and bank charges	2,093	1,405
Office	11,502	814
Professional fees	3,739	28,575
	296,374	276,213
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	14,829	128,240
OTHER INCOME		
Loss on sale of marketable securities	(13)	-
Unrealized gain on marketable securities	-	594
Interest income	6,261	2,753
	6,248	3,347
EXCESS OF REVENUES OVER EXPENSES	\$ 21,077	\$ 131,587

See notes to financial statements

EL HOGAR PROJECTS (CANADA)
Statement of Changes in Net Assets
Year Ended December 31, 2022

	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 442,580	\$ 310,993
EXCESS OF REVENUES OVER EXPENSES	21,077	131,587
NET ASSETS - END OF YEAR	\$ 463,657	\$ 442,580

See notes to financial statements

EL HOGAR PROJECTS (CANADA)
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 21,077	\$ 131,587
Item not affecting cash:		
Write-down of marketable securities	-	(594)
	21,077	130,993
Changes in non-cash working capital:		
Accounts receivable	-	368
Accounts payable and accrued liabilities	(16,503)	5,999
Deferred income	31,923	(90,072)
Harmonized sales tax payable	5,347	(3,097)
	20,767	(86,802)
Cash flow from operating activities	41,844	44,191
INVESTING ACTIVITY		
Purchase of marketable securities	(112,347)	(81,939)
DECREASE IN CASH FLOW	(70,503)	(37,748)
Cash - beginning of year	246,468	284,216
CASH - END OF YEAR	\$ 175,965	\$ 246,468

See notes to financial statements

EL HOGAR PROJECTS (CANADA)
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) 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.

(c) 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.

(d) Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the 2022 year, \$Nil in goods were donated (2021 - \$Nil).

(e) 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.

(f) 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.

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EL HOGAR PROJECTS (CANADA)
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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 raise 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.

EL HOGAR PROJECTS (CANADA)
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

3. SHORT TERM INVESTMENTS

	2022		2021
TD Direct Investing (<i>market value \$31</i>)	\$ 31	\$	10,454
National Bank Portfolio (<i>market value \$5,597</i>)	5,597		-
TD GIC (<i>market value \$323,916</i>)	323,312		201,260
	\$ 328,940	\$	211,714

4. LONG TERM INVESTMENTS

	2022		2021
National Bank Portfolio	\$ 137,789	\$	142,667
Market value	\$ 125,900	\$	140,782

5. DEFERRED INCOME

	2022		2021
The David N.L. Winsor Fund	\$ 15,100	\$	20,100
The Shoes Fund	(817)		19,759
The Book Project Fund	25,000		25,000
The Hansen Viking Scholarship	89,987		82,488
The Blue Lupin Fund	50,000		-
	\$ 179,270	\$	147,347

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EL HOGAR PROJECTS (CANADA)
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

5. DEFERRED INCOME (continued)

2022

2021

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.

vi) The Blue Lupin Fund was established to support (a) one university scholarship for an El Hogar graduate student for four years, (b) to fund the redesign and renovation of the ITSM Blue Lupin Library, (c) initiate and research a pilot project to build a Blue Lupin library in the El Hogar community, (d) assess the funding needs and any new projects that the David Windsor Fund may initiate, and (e) fund a site visit to Gracias, Lempira to learn about the Blue Lupin library projects there.

6. COMPARATIVE FIGURES

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