

**HOUSE OF SOPHROSYNE**

**FINANCIAL STATEMENTS  
AUDITED**

**March 31, 2024**



# Roma & Associates Professional Corporation

## Chartered Professional Accountants

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**HOUSE OF SOPHROSYNE**

*Report on the Audit of the Financial Statements*

*Qualified Opinion*

We have audited the financial statements of **HOUSE OF SOPHROSYNE**, which comprise the financial position as at **March 31, 2024**, and the statement of changes in fund balances, statements of operations and statement of 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 noted in the basis of qualified opinion paragraph below, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to those revenues, the accompanying financial statements present fairly, in all material respects the financial position of **HOUSE OF SOPHROSYNE** as at **March 31, 2024**, 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 organization, **HOUSE OF SOPHROSYNE** derives part of its revenue from various enterprises which are not susceptible to complete audit verification. Accordingly, our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization. Further to the above, they have accounted for capital transactions funded out of revenues of the operating fund as an expense in the operating fund and revenue in the capital fund versus a fund transfer which is not in accordance with Canadian accounting standards for not-for-profit organizations

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 **HOUSE OF SOPHROSYNE** 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 opinion.

*Responsibility 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

*Responsibility of Management and Those Charged with Governance for the Financial Statements  
(continued)*

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

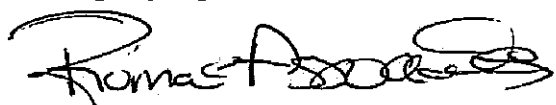
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Company's preparation and fair presentation of the financial statements 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 Company'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 Company'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 Company 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 charges 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.

Tecumseh, Ontario  
June 27, 2024



**ROMA & ASSOCIATES**  
**PROFESSIONAL CORPORATION**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
AUTHORIZED TO PRACTISE PUBLIC ACCOUNTING BY THE INSTITUTE  
OF CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

**HOUSE OF SOPHROSYNE**  
**FINANCIAL POSITION**

See accompanying notes to the financial statements

March 31, 2024, with comparative figures for March 31, 2023	2024	2023
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 9)	1,222,205	697,567
Investments (note 2)	2,951,328	1,843,259
Accounts receivable	122,408	158,457
Sales tax receivable	30,140	27,284
Prepaid expenses and deposits	39,382	15,670
	4,365,463	2,742,237
<b>Long-term assets</b>		
Investments (note 2)	-	1,006,754
Capital assets, net book value (note 3)	2,253,486	2,221,120
	2,253,486	3,227,874
	6,618,949	5,970,111

**HOUSE OF SOPHROSYNE**  
**FINANCIAL POSITION (CONTINUED)**

See accompanying notes to the financial statements

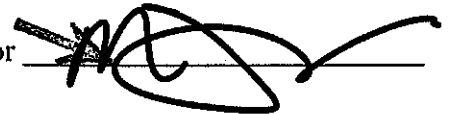
March 31, 2024, with comparative figures for March 31, 2023	2024	2023
	\$	\$
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	412,936	312,830
Government payroll remittances payable	22,542	23,315
Deferred contributions (note 4)	95,151	112,161
	530,629	448,306
<b>FUND BALANCES</b>		
Operating	-	-
Building reserve	3,349,518	2,815,368
Invested in capital assets	2,662,233	2,629,868
Capital reserve 260 Strabane	10,633	10,633
Rent subsidy reserve	15,936	15,936
Contingency reserve	50,000	50,000
	6,088,320	5,521,805
	6,618,949	5,970,111

On behalf of the Board

Director



Director



**HOUSE OF SOPHROSYNE  
STATEMENT OF CHANGES IN FUND BALANCES**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	Operating fund	Building reserve fund	Invested in capital assets fund	Capital reserve 260 Strabane fund	Rent subsidy reserve fund	Contingency reserve fund	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	-	2,815,368	2,629,868	10,633	15,936	50,000	5,521,805	5,042,919
Excess of revenues over expenditures (expenditures over revenues)	534,150	-	32,365	-	-	-	566,515	478,886
Transfers	(534,150)	534,150	-	-	-	-	-	-
<b>Fund balances, end of year</b>	-	3,349,518	2,662,233	10,633	15,936	50,000	6,088,320	5,521,805

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF OPERATIONS - OPERATING FUND**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Revenues (note 7)</b>		
Ministry of Health and Long-Term Care	3,308,548	2,757,503
Provincial rent supplement	108,071	108,071
Service fees	155,426	95,227
Fundraising activities	227,044	197,802
Donations	87,123	53,025
Interest and other	152,234	66,669
Gain on sale of property	-	293,252
	<b>4,038,446</b>	<b>3,571,549</b>
<b>Expenditures</b>		
Advertising and promotion	3,173	7,263
Bank charges and interest	1,057	1,020
Computer expenses	41,086	46,616
Food services	75,798	67,709
Fundraising activities	61,866	38,464
Insurance	31,173	24,543
Laundry, linen, medical and other supplies	18,153	21,987
Miscellaneous	-	8,310
Office and miscellaneous	11,808	18,330
Occupancy - Strabane	11,457	4,982
Occupancy - Adstoll	23,085	29,681
Professional fees	141,253	136,875
Program equipment	9,223	11,616
Program materials	21,436	17,061
Recreation program costs	5,254	1,940
Rent subsidy program	105,938	108,145
Renovations, repairs and maintenance	61,517	53,605
Salaries and benefits	2,377,799	2,248,741
Session fees	3,137	8,582
Staff development and education	29,432	22,029
Telephone	10,343	7,216
Transfer to capital fund	167,552	57,140
Transportation	21,167	11,277
Utilities	59,963	55,713
	<b>3,292,670</b>	<b>3,008,845</b>
<b>Excess of revenues over expenditures before Ministry repayment</b>	<b>745,776</b>	<b>562,704</b>
<b>Ministry repayment (note 10)</b>	<b>(211,626)</b>	<b>-</b>
<b>Excess of revenues over expenditures</b>	<b>534,150</b>	<b>562,704</b>

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF OPERATIONS - BUILDING RESERVE FUND**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Revenues</b>	-	-
<b>Expenditures</b>	-	-
<b>Excess of revenues over expenditures</b>	-	-

**HOUSE OF SOPHROSYNE****STATEMENT OF OPERATIONS - INVESTED IN CAPITAL ASSET FUND**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Revenues</b>		
Transfer from operating fund	167,552	57,140
<b>Expenditures</b>		
Amortization	135,187	140,958
<b>Excess of revenues over expenditures (expenditures over revenues)</b>	<b>32,365</b>	<b>(83,818)</b>

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF OPERATIONS - CAPITAL RESERVE 260 STRABANE**  
**FUND**

See accompanying notes to the financial statements

<u>Year ended March 31, 2024, with comparative figures for the year</u> <u>ended March 31, 2023</u>	<u>2024</u>	<u>2023</u>
	\$	\$
<b>Revenues</b>	-	-
<b>Expenditures</b>	-	-
<b>Excess of revenues over expenditures</b>	-	-

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF OPERATIONS - RENT SUBSIDY RESERVE**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Revenues</b>	-	-
<b>Expenditures</b>	-	-
<b>Excess of revenues over expenditures</b>	-	-

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF OPERATIONS - CONTINGENCY RESERVE**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Revenues</b>	-	-
<b>Expenditures</b>	-	-
<b>Excess of revenues over expenditures</b>	-	-

**HOUSE OF SOPHROSYNE**  
**STATEMENT OF CASH FLOWS**

See accompanying notes to the financial statements

Year ended March 31, 2024, with comparative figures for the year ended March 31, 2023	2024 \$	2023 \$
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Excess of revenues over expenditures - operating fund	534,150	562,704
Excess of revenues over expenditures - Invested in capital assets fund	32,365	(83,818)
<i>Items not involving cash:</i>		
Amortization	135,187	140,958
<i>Change in non-cash operating working capital (note 8)</i>	<b>91,803</b>	<b>(102,259)</b>
	<b>793,505</b>	<b>517,585</b>
<b>Investing</b>		
Capital asset additions	(167,553)	(57,140)
Capital asset dispositions	-	408,749
	<b>(167,553)</b>	<b>351,609</b>
<b>Financing</b>		
Term deposits, purchases net of proceeds	(101,314)	(1,030,217)
<b>Increase (decrease) in cash</b>	<b>524,638</b>	<b>(161,023)</b>
<b>Cash, beginning of year</b>	<b>697,567</b>	<b>858,590</b>
<b>Cash, end of year</b>	<b>1,222,205</b>	<b>697,567</b>

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2024

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House of Sophrosyne was incorporated without share capital under the laws of Ontario and is a non-taxable entity under the Income Tax Act. The organization is committed to the provision of gender specific services for drug and alcohol dependent women, as well as providing a continuum of care and wellness to women, families, children and all members of the community served who are affected by the addiction of others.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies noted below.

**Basis of presentation - going concern**

The financial statements are prepared on the going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

**Revenue recognition**

The organization follows the deferral method of accounting for contributions, which include government grants, donations and other. Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

**Operating fund**

Revenues and expenditures related to program delivery and administrative activities are reported in the operating fund

**Building reserve fund**

Revenues raised from grants and donations and expenditures related to the portion of the Adstoll location not publicly funded, as well as 2% of the expenditures of the ministry funded portion of the building.

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2024

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment in capital asset fund**

Revenues and expenditures (amortization of capital assets over their estimated useful lives) related to capital assets

**Capital reserve - 260 Strabane fund**

Capital improvement internally or externally restricted for the property located at 260 Strabane.

**Rent subsidy fund**

Revenues received from the Municipality of Chatham-Kent for rent and applicable expenditures related to the accommodations for the residents of the municipality.

**Contingency fund**

Revenues and expenditures internally or externally restricted for future possible closures to cover the cost of wages.

**Capital assets**

In the prior year, the organization changed its capital assets policy to include all capital assets recorded at cost with amortization being provided by charges to income over the estimated useful life of the assets with one half of the normal rate in the year of acquisition at the following rates:

<b>Assets</b>	<b>Rate</b>	<b>Method</b>
Buildings	5%	Declining balance
Computers	30%	Declining balance
Furniture and equipment	20%	Declining balance
Vehicle	20%	Declining balance

The assets purchased from operating funds are not presented in accordance with Canadian accounting standards for non-for-profits organizations. The capital purchases are accounted for as an expense of the operation fund and revenue to the capital fund versus being presented as a fund transfer and in accordance with funding received by the Ministry of Health and Long-Term Care and Ontario Health and their reporting requirements

**Financial instruments**

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The organization's accounting policy for each category is as follows:

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2024

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*Assets held for trading*

Financial instruments classified as assets held for trading are reported at fair value each balance sheet date, and any change in fair value is recognized in excess of revenues over expenditures (expenditures over revenues) in the period during which the change occurs. Transaction costs are expensed when incurred. In these financial statements, cash has been classified as held for trading.

*Available for sale - investments*

Financial instruments classified as available for sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to market securities are recorded on a settlement date basis. In these financial statements, investments have been classified as available for sale.

*Receivables and other financial liabilities*

Financial instruments classified as receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred. In these financial statements, sales tax receivable, due from operations, operating line of credit, accounts payable and accrued liabilities, government remittances payable, employee source deductions payable, due to residents and due to special project fund have been classified as receivables and other financial liabilities.

**Contributed services**

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**Impairment of long-lived assets**

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amounts of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2024

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income taxes**

The organization qualifies as a not-for-profit under the Canadian Income Tax Act, which is exempt from income taxes.

**Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and expenses during the year. Actual results could differ from those estimates.

**2. INVESTMENTS**

	2024	2023
	\$	\$
Guaranteed investment certificate - maturing October 2023, bearing interest at 4.00% per annum.	-	769,026
Guaranteed investment certificate - maturing October 2023, bearing interest at 4.00% per annum.	-	1,074,233
Guaranteed investment certificate - maturing February 2024, bearing interest at 4.95% per annum.	-	350,000
Guaranteed investment certificate - maturing July 2024, bearing interest at 5.20% per annum.	656,754	656,754
Guaranteed investment certificate - maturing September 2024, bearing interest at 6.29% per annum.	1,117,354	-
Guaranteed investment certificate - maturing September 2024, bearing interest at 6.29% per annum.	799,895	-
Guaranteed investment certificate - maturing October 2024, bearing interest at 6.29% per annum.	10,000	-
Guaranteed investment certificate - maturing February 2025, bearing interest at 5.40% per annum.	367,325	-
	<b>2,951,328</b>	<b>2,850,013</b>
Less: Current portion	<b>(2,951,328)</b>	<b>(1,843,259)</b>
	<b>-</b>	<b>1,006,754</b>

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2024

**3. CAPITAL ASSETS**

	Cost	Accumulated amortization	2024 Net	2023 Net
	\$	\$	\$	\$
Land	145,009	-	145,009	145,009
Buildings	2,454,126	490,008	1,964,118	1,906,425
Computers	19,806	9,581	10,225	5,810
Furniture and equipment	339,139	206,370	132,769	162,170
Vehicle	24,371	23,006	1,365	1,706
	<b>2,982,451</b>	<b>728,965</b>	<b>2,253,486</b>	<b>2,221,120</b>

**4. DEFERRED REVENUE**

	2024	2023
	\$	\$
Balance, beginning of year	112,161	111,776
Recognized into revenues during the year	34,420	(19,469)
Amounts received during the year	(51,429)	19,854
<b>Balance, end of year</b>	<b>95,151</b>	<b>112,161</b>

**5. DUE FROM OPERATIONS/DUE TO BUILDING RESERVE FUND**

	2024	2023
	\$	\$
Operating fund - due from (to) capital fund	(90,449)	(39,988)
Capital fund - due from (to) operation fund	90,449	39,988

The due to (from) funds are non-interest bearing and payable on demand.

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of cash, investment, sales tax receivable, due from operations, operating line of credit, accounts payable and accrued liabilities, government remittances payable, employee source deductions payable, due to residents and due to special projects fund approximate their carrying value due to the short-term maturity of these instruments.

**HOUSE OF SOPHROSYNE**  
**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2024

**7. ECONOMIC DEPENDENCE**

The organization is substantially dependent on funds received from the Ontario Health. During the year, 82% (77% in 2023) of total revenues were received from the Ministry.

**8. CHANGE IN NON-CASH OPERATING WORKING CAPITAL**

	2024	2023
	\$	\$
Accounts receivable	36,049	(18,788)
Sales tax receivable	(2,856)	70,128
Prepaid expenses and deposits	(23,712)	3,236
Accounts payable and accrued liabilities	100,105	(152,036)
Government payroll remittances payable	(773)	(5,184)
Deferred contributions	(17,010)	385
	<b>91,803</b>	<b>(102,259)</b>

**9. OVERDRAFT**

The organization has a overdraft facility available in the amount of \$75,000 (\$Nil balance due as at year-end) bearing interest at prime plus two percent and secured against property at 5305 Adstoll Ave., Windsor, Ontario in the amount of \$481,250, general security agreement representing a first and floating charge over the assets and undertakings of organization, general assignment of rents and leases of the property and assignment of fire insurance.

**10. MINISTRY REPAYMENT**

During the year, the organization received community infrastructure renewal fund ("CIRF") amounts totaling \$323,184 of which \$111,559 was spent with the remaining portion of \$211,626 payable back to the Ministry.

