
Help Lesotho

Financial Statements

June 30, 2020

Help Lesotho**Financial Statements**

June 30, 2020

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Independent Auditor's Report

To the Directors of Help Lesotho

Qualified Opinion

We have audited the financial statements of Help Lesotho, which comprise the statement of financial position as at June 30, 2020, and the statements of operations, 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.

Except as noted in the following paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 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 ("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 years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation in 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 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 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

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Independent Auditor's Report (continued)

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.

The logo for Vaive and Associates features the company name in a stylized, serif font. The letters are filled with a pattern of horizontal lines, giving it a textured appearance. The word "Vaive" is on the left, "and" is in the middle, and "Associates" is on the right.

**Ottawa
November 24, 2020**

**Vaive and Associates Professional Corporation
(Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario)**

Help Lesotho

Statement of Operations

For the year ended June 30

	<u>2020</u>	<u>2019</u>
Revenue		
Unrestricted donations	\$ 557,023	\$ 538,676
Grants	492,227	538,819
Restricted donations	398,739	255,475
Amortization of deferred contributions relating to capital assets (note 11)	58,311	52,203
Investment income	39,994	57,928
Product sales, net (note 4)	31,851	42,053
Government wage subsidies	17,544	-
Gain on disposal of capital assets	9,883	-
Other revenue	11,730	14,173
Gain (loss) on sale of marketable securities	1,284	(936)
Loss on foreign exchange	(24,291)	(6,267)
	<u>1,594,295</u>	<u>1,492,124</u>
Expenses		
Program	1,252,385	1,222,212
Administrative (schedule 1)	143,900	127,769
	<u>1,396,285</u>	<u>1,349,981</u>
Excess of revenue over expenses	<u>\$ 198,010</u>	<u>\$ 142,143</u>

Help Lesotho

Statement of Changes in Net Assets

	Balance, beginning of year	Transfer from Unrestricted	Excess of revenue over expenses	2020 Balance, end of year
Unrestricted	\$ 318,643	\$ -	\$ 198,010	\$ 516,653
Reserve Funds	684,963	-	-	684,963
	\$ 1,003,606	\$ -	\$ 198,010	\$ 1,201,616

	Balance, beginning of year	Transfer from Unrestricted	Excess of revenue over expenses	2019 Balance, end of year
Unrestricted	\$ 176,500	\$ -	\$ 142,143	\$ 318,643
Reserve Funds	684,963	-	-	684,963
	\$ 861,463	\$ -	\$ 142,143	\$ 1,003,606

Help Lesotho

Statement of Financial Position

June 30,	2020	2019
Assets		
Current		
Cash	\$ 366,974	\$ 367,216
Short-term investment (note 5)	409,919	307,245
Accounts receivable (note 6)	19,931	25,449
Inventory	11,468	13,124
Prepaid expenses	9,206	7,695
Total Current	817,498	720,729
Long-term investment (note 5)	614,029	480,560
Capital assets (note 8)	572,517	571,332
	\$ 2,004,044	\$ 1,772,621
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 35,001	\$ 29,025
Deferred contributions (note 7)	221,708	222,021
Current portion of deferred contributions relating to capital assets (note 11)	56,886	46,754
Total Current	313,595	297,800
Long-term debt (note 10)	40,000	-
Deferred contributions relating to capital assets (note 11)	448,833	471,215
	802,428	769,015
Net Assets		
Unrestricted	516,653	318,643
Reserve Funds	684,963	684,963
	1,201,616	1,003,606
	\$ 2,004,044	\$ 1,772,621

Approved by the board:

_____ Director

_____ Director

Help Lesotho

Statement of Cash Flows

For the year ended June 30	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 198,010	\$ 142,143
Items not affecting cash		
Amortization of capital assets	5,295	1,595
Amortization of deferred contributions relating to capital assets	(58,311)	(52,203)
Amortization allocated to program expenses	72,123	66,763
Gain on sale of capital assets	(9,883)	-
Gain on disposal of marketable securities	(1,284)	936
Donation of marketable securities	(104,387)	(96,074)
	<u>101,563</u>	<u>63,160</u>
Change in non-cash working capital items		
Short-term investment	(102,674)	(99,806)
Accounts receivable	5,518	(10,168)
Inventory	1,656	(6,489)
Prepaid expenses	(1,511)	2,316
Accounts payable and accrued liabilities	5,976	(11,488)
Deferred contributions	(313)	151,334
	<u>10,215</u>	<u>88,859</u>
Financing activities		
Proceeds of long-term debt	40,000	-
	<u>40,000</u>	<u>-</u>
Investing activities		
Purchase of investments	(212,435)	(49,589)
Proceeds on sale of investments	184,637	99,894
Purchase of capital assets	(78,603)	(5,718)
Proceeds on disposal of capital assets	9,883	-
Deferred contributions relating to capital assets received.	46,061	-
	<u>(50,457)</u>	<u>44,587</u>
Increase (decrease) in cash and cash equivalents	(242)	133,446
Cash and cash equivalents, beginning of year	367,216	233,770
Cash and cash equivalents, end of year	\$ 366,974	\$ 367,216
Cash and cash equivalents consist of:		
Cash	\$ 361,979	\$ 367,215
Investment savings account	4,995	1
	<u>\$ 366,974</u>	<u>\$ 367,216</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

1. Nature of operations

Help Lesotho (the "Organization") was incorporated under the Canada Corporations Act on September 28, 2005 with charitable status effective March 2, 2006 and is therefore not subject to either federal or provincial income taxes. The mission of the Organization is to mitigate against the effect of HIV/AIDS by promoting education and youth leadership development in Lesotho, Africa.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition

The Organization 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.

Externally restricted contributions for the purchase of capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Externally restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

Product sales consist of sales of brooches, Pearls4Girls jewellery and other items, and are recorded when the product has been delivered and payment has been received.

Other revenue consists mainly of other fundraising activities and VAT refunds and is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

(b) Contributed services

Volunteers contributed time to assist the Organization in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(c) Cash and cash equivalents

The Organization presents its readily available cash balances as cash.

Notes to the Financial Statements

For the year ended June 30, 2020

2. Significant accounting policies (continued)

(d) Inventory

Inventories are valued at the lower of cost and net realizable value, on a first-in first-out basis and consist of necklaces, bracelets, brooches and earrings.

(e) Foreign exchange

The Organization's foreign operations are translated using the current rate method. Under this method foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses (other than amortization which is translated at rates pertaining to the related assets) are translated at the yearly average exchange rates. Non-monetary assets and liabilities are translated at the exchange rate at the date of acquisition. Exchange gains or losses arising on the translation are included in the statement of earnings and retained earnings.

(f) Capital assets

Capital assets are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	20 years
Vehicles	4 years
Office equipment	3 years
Furniture and fixtures	5 years

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

(g) Allocated expenses

The Organization allocates salaries and benefits based on an estimate of the percentage of time each person typically spends on each area. Amortization has been allocated based upon specific asset usage. Other administrative expenses, including certain office supplies, courier and postage, communications, bank charges, professional fees and fundraising were allocated to projects as determined appropriate by management.

2. Significant accounting policies (continued)

(h) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the estimation of inventory, useful lives of capital assets and accrued liabilities.

(i) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, short-term investments.

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

Financial assets measured at fair value include long-term investments.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess of revenue over expenses.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

3. Contributions by major source

	2020	2019
International development organizations	\$ 230,163	\$ 262,910
Individuals	951,410	710,784
Foundations	308,818	309,022
Other not-for-profit organizations	1,166	109,063
Corporate	11,933	17,582
	<u>\$ 1,503,490</u>	<u>\$ 1,409,361</u>

4. Product sales, net

	2020	2019
Product sales	\$ 56,254	\$ 79,240
Cost of sales	<u>(24,403)</u>	<u>(37,187)</u>
	<u>\$ 31,851</u>	<u>\$ 42,053</u>

5. Investments

Short-term investments is comprised of an investment savings account and guaranteed investment certificate bearing interest at 0.40% and 0.75%, respectively. The guaranteed investment certificate has a maturity date of May 2021.

The long-term investment is comprised of equity based mutual funds. The investments have been categorized as long-term as Help Lesotho has no intentions of liquidating the funds within the next fiscal year.

6. Accounts receivable

	2020	2019
Accounts receivable	\$ 19,302	\$ 25,159
Sales tax	<u>629</u>	<u>290</u>
	<u>\$ 19,931</u>	<u>\$ 25,449</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

7. Deferred contributions

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2020 Balance end of year
Programs	\$ 217,496	\$ 899,067	\$ (894,855)	\$ 221,708
Other	4,525	-	(4,525)	-
	<u>\$ 222,021</u>	<u>\$ 899,067</u>	<u>\$ (899,380)</u>	<u>\$ 221,708</u>
	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2019 Balance end of year
Programs	\$ 55,007	\$ 944,304	\$ (781,815)	\$ 217,496
Other	15,680	4,525	(15,680)	4,525
	<u>\$ 70,687</u>	<u>\$ 948,829</u>	<u>\$ (797,495)</u>	<u>\$ 222,021</u>

8. Capital assets

	2020		
	Cost	Accumulated amortization	Net book value
Buildings	\$ 986,847	\$ 483,553	\$ 503,294
Vehicles	88,146	48,895	39,251
Office equipment	42,197	35,741	6,456
Furniture and fixtures	111,594	104,650	6,944
Leasehold improvements	1,180	708	472
Computer software	20,125	4,025	16,100
	<u>\$ 1,250,089</u>	<u>\$ 677,572</u>	<u>\$ 572,517</u>
	2019		
	Cost	Accumulated amortization	Net book value
Buildings	\$ 973,871	\$ 433,265	\$ 540,606
Vehicles	108,806	89,868	18,938
Office equipment	33,857	31,453	2,404
Furniture and fixtures	110,557	101,881	8,676
Leasehold improvements	1,180	472	708
	<u>\$ 1,228,271</u>	<u>\$ 656,939</u>	<u>\$ 571,332</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

9. Accounts payable and accrued liabilities

	2020	2019
Trade payables	\$ 14,926	\$ 4,122
Accrued expenses	20,075	24,903
	<u>\$ 35,001</u>	<u>\$ 29,025</u>

10. Long-term debt

Canada Emergency Business Account - The \$40,000 represents an interest-free loan received under the Government of Canada COVID response programs. 25% of the loan will be eligible for loan forgiveness, up to \$10,000, if the loan is fully repaid on or before December 31, 2022. The forgivable portion of the loan will be recognized as income in the period in which the loan is repaid. If the loan is not fully repaid by December 31, 2022, the remaining principal balance will bear interest at a rate of 5% per annum beginning on January 1, 2023. The loan is due in full on December 31, 2025.

11. Deferred contributions relating to capital assets

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2020 Balance end of year
Pitseng Centre	\$ 31,155	\$ -	\$ (3,477)	\$ 27,678
Hlotse Centre	482,537	-	(45,875)	436,662
Vehicle	4,277	37,644	(7,557)	34,364
Equipment	-	8,418	(1,402)	7,016
	517,969	46,062	(58,311)	505,720
Less current portion	(46,754)	(10,133)	-	(56,886)
	<u>\$ 471,215</u>	<u>\$ 35,929</u>	<u>\$ (58,311)</u>	<u>\$ 448,833</u>

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2019 Balance end of year
Pitseng Centre	\$ 34,632	\$ -	\$ (3,477)	\$ 31,155
Hlotse Centre	528,412	-	(45,875)	482,537
Vehicle	7,128	-	(2,851)	4,277
	570,172	-	(52,203)	517,969
Less current portion	(46,754)	-	-	(46,754)
	<u>\$ 523,418</u>	<u>\$ -</u>	<u>\$ (52,203)</u>	<u>\$ 471,215</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

12. Reserve funds

Help Lesotho's reserve funds are allocated to two separate funds:

- The Emergencies Reserve Fund
- The Long-Term Investment Fund.

Both Funds are internal reserve funds allocated by the Board of Directors to protect against unforeseen and unexpected financial circumstances with the goal of maintaining six to twelve months of operating and program expenses in reserve.

During the current fiscal year, the Organization transferred \$nil to the reserve funds (2019 - \$Nil).

13. Contributed services and materials

The total amount of contributed goods and services for which revenue was recognized during the current year is equal to \$104,387 (2019 - \$96,074); \$103,237 of which is recorded in unrestricted donations (2019 - \$91,732); and \$1,150 of which is recorded in restricted donations (2019 - \$4,242). The contributions in both years consisted of marketable securities.

14. Subsequent event

Subsequent to the year-end, the Organization is assessing the impact of the COVID-19 pandemic on its operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of this disruption on operations and investments.

15. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

16. Financial risks

(a) Credit risk

Credit risk arises from the potential that a contributor will fail to perform its obligations. The Organization is exposed to credit risk from its contributors. However, the Organization has a significant number of contributors which minimizes concentration of credit risk.

(b) Foreign exchange risk

The Organization conducts a large portion of its operations in Lesotho, Africa where the currency is the South African Rand. Currency risk is the risk to the Organization's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization does not use derivative instruments to reduce its exposure to foreign currency risk. As at June 30, 2020, the following foreign currency balance was included in the financial statements:

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2020

16. Financial risks (continued)

	South African Rand	Canadian dollars
Cash and cash equivalents	<u>3,321,032</u>	<u>260,568</u>

The Organization takes steps to manage the impact of the fluctuation of foreign currency rates by depositing grants directly into the South African Rand account in Lesotho, since the majority of expenses will be paid in South African Rand.

(c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Organization's exposure to this risk is through its long-term investments with marketable securities. The Organization mitigates this risk through investing in multiple funds and holds a diversified portfolio.

(d) Other risks

It is the Organization's position that it does not have significant exposure to interest risk or liquidity risk.

Help Lesotho**Schedule to the Financial Statements**

Schedule of administrative**Schedule 1**

	<u>2020</u>	<u>2019</u>
Payroll and benefits	\$ 75,795	\$ 61,802
Fundraising	23,306	29,292
Professional fees	10,295	9,836
Communications	9,481	5,308
Office supplies and expenses	7,753	8,694
Bank charges	7,438	8,207
Amortization	5,295	1,595
Travel	4,537	3,035
	<hr/>	<hr/>
Total	<u>\$ 143,900</u>	<u>\$ 127,769</u>