
Help Lesotho

Financial Statements

June 30, 2023

Help Lesotho**Financial Statements**

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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, 2023, 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, 2023 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, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1 and June 30 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended June 30, 2022 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

Independent Auditor's Report (continued)

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.

Independent Auditor's Report (continued)

- ◆ 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.

Vaive and Associates

Ottawa
November 20, 2023

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>2023</u>	<u>2022</u>
Revenue (note 3)		
Grants (note 3)	\$ 598,430	\$ 610,508
Unrestricted donations (note 3)	439,321	482,058
Restricted donations (note 3)	433,809	368,571
Investment income	74,399	49,620
Amortization of deferred contributions relating to capital assets (notes 3 and 10)	63,186	64,009
Product sales, net (note 4)	14,146	15,930
Other revenue	14,208	5,805
Loss on sale of marketable securities	(1,975)	(575)
Loss on foreign exchange	(20,919)	(13,855)
	<u>1,614,605</u>	<u>1,582,071</u>
Expenses		
Program (schedule 1)	1,536,071	1,533,523
Administrative (schedule 2)	174,173	109,660
	<u>1,710,244</u>	<u>1,643,183</u>
Excess of expenses over revenue	<u>\$ (95,639)</u>	<u>\$ (61,112)</u>

Help Lesotho

Statement of Changes in Net Assets

	Balance, beginning of year	Contributions	Excess of expenses over revenue	2023 Balance, end of year
Unrestricted	\$ 552,089	\$ -	\$ (95,639)	\$ 456,450
Reserve Funds	684,963	-	-	684,963
	\$ 1,237,052	\$ -	\$ (95,639)	\$ 1,141,413

	Balance, beginning of year	Contributions	Excess of expenses over revenue	2022 Balance, end of year
Unrestricted	\$ 613,201	\$ -	\$ (61,112)	\$ 552,089
Reserve Funds	684,963	-	-	684,963
	\$ 1,298,164	\$ -	\$ (61,112)	\$ 1,237,052

Help Lesotho

Statement of Financial Position

June 30,	2023	2022
Assets		
Current		
Cash	\$ 478,932	\$ 737,910
Short-term investment (note 5)	350,932	399,112
Accounts receivable (note 6)	66,538	40,217
Inventory	5,164	9,228
Prepaid expenses	10,353	28,509
Total Current	911,919	1,214,976
Long-term investments (note 5)	474,970	506,335
Capital assets (note 7)	446,363	478,645
	\$ 1,833,252	\$ 2,199,956
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 74,865	\$ 72,404
Deferred contributions (note 9)	238,239	467,011
Current portion of deferred contributions relating to capital assets (note 10)	57,671	62,476
Total Current	370,775	601,891
Deferred contributions relating to capital assets (note 10)	321,064	361,013
	691,839	962,904
Net Assets		
Unrestricted	456,450	552,089
Reserve Funds	684,963	684,963
	1,141,413	1,237,052
	\$ 1,833,252	\$ 2,199,956

Approved by the board:

_____ Director

_____ Director

Help Lesotho

Statement of Cash Flows

For the year ended June 30,	2023	2022
Operating activities		
Excess of expenses over revenue	\$ (95,639)	\$ (61,112)
Items not affecting cash		
Amortization of capital assets	4,870	16,967
Amortization of deferred contributions relating to capital assets	(63,186)	(64,009)
Amortization allocated to program expenses	72,107	57,166
Loss on disposal of marketable securities	1,975	575
Donation of marketable securities	(121,566)	(66,594)
Amortization of intangible	-	21,470
	<u>(201,439)</u>	<u>(95,537)</u>
Change in non-cash working capital items (note 14)	<u>(182,232)</u>	<u>258,870</u>
	<u>(383,671)</u>	<u>163,333</u>
Investing activities		
Purchase of investments	(668,642)	(38,132)
Proceeds on sale of investments	819,600	162,306
Purchase of capital assets	(44,696)	(31,129)
Deferred contributions relating to capital assets received (note 10)	18,431	32,246
	<u>124,693</u>	<u>125,291</u>
Increase (decrease) in cash and cash equivalents	(258,978)	288,624
Cash and cash equivalents, beginning of year	737,910	449,286
Cash and cash equivalents, end of year	<u>\$ 478,932</u>	<u>\$ 737,910</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2023

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 Organization is a non-profit organization registered in both Canada and Lesotho that delivers grassroots mental health support and training programs in rural communities in Southern Africa battling the impacts of AIDS, poverty, unemployment and gender-inequity.

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.

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, intangible 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 expenses over revenue 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 expenses over revenue. 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 expenses over revenue.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2023

3. Contributions by major source

	<u>2023</u>	<u>2022</u>
Grants	\$ 598,430	\$ 610,508
Unrestricted donations	439,321	482,058
Restricted donations	433,809	368,571
Amortization of deferred contributions relating to capital assets	63,186	64,009
	<u>\$ 1,534,746</u>	<u>\$ 1,525,146</u>

The above revenue amounts are broken down by major source of funding as follows:

	<u>2023</u>	<u>2022</u>
International development organizations	\$ 323,603	\$ 325,333
Individuals	848,632	823,940
Foundations	322,957	332,319
Other not-for-profit organizations	24,498	26,689
Corporate	15,055	16,865
	<u>\$ 1,534,745</u>	<u>\$ 1,525,146</u>

4. Product sales, net

	<u>2023</u>	<u>2022</u>
Product sales	\$ 50,864	\$ 36,958
Cost of sales	<u>(36,718)</u>	<u>(21,028)</u>
	<u>\$ 14,146</u>	<u>\$ 15,930</u>

5. Investments

Short-term investments are comprised of high interest savings accounts paying interest between 4.65% and 5% and are readily available to purchase other investments.

Long-term investments are 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.

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Notes to the Financial Statements

For the year ended June 30, 2023

6. Accounts receivable

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 64,968	\$ 38,297
Sales tax	1,570	1,920
	<u>\$ 66,538</u>	<u>\$ 40,217</u>

7. Capital assets

	<u>2023</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Buildings	\$ 1,029,012	\$ 632,569	\$ 396,443
Vehicles	96,100	74,208	21,892
Office equipment	64,153	56,844	7,309
Furniture and fixtures	118,878	111,805	7,073
Leasehold improvements	1,180	1,180	-
Playground equipment	12,660	3,039	9,621
Computer software	20,125	16,100	4,025
	<u>\$ 1,342,108</u>	<u>\$ 895,745</u>	<u>\$ 446,363</u>
	<u>2022</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Buildings	\$ 1,012,921	\$ 581,897	\$ 431,024
Vehicles	88,146	74,029	14,117
Office equipment	57,373	49,535	7,838
Furniture and fixtures	116,695	109,966	6,729
Leasehold improvements	1,180	1,180	-
Playground equipment	12,660	1,773	10,887
Computer software	20,125	12,075	8,050
	<u>\$ 1,309,100</u>	<u>\$ 830,455</u>	<u>\$ 478,645</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2023

8. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Trade payables	\$ 52,158	\$ 46,578
Accrued expenses	22,707	25,826
	<u>\$ 74,865</u>	<u>\$ 72,404</u>

9. Deferred contributions

The deferred contributions relate to restricted donations and grants received by the Organization related to the various programs that it runs.

	<u>2023</u>	<u>2022</u>
Opening Balance	\$ 467,011	\$ 162,590
Restricted donations and grants	803,467	1,284,036
Recognized as revenue in the year	<u>(1,032,239)</u>	<u>(979,615)</u>
Closing Balance	<u>\$ 238,239</u>	<u>\$ 467,011</u>

10. Deferred contributions relating to capital assets

	Balance, beginning of year	Received	Recognized	Change in current portion	Balance, end of year
Pitseng Centre	\$ 49,567	\$ 16,091	\$ (4,854)	-	\$ 60,804
Hlotse Centre	347,511	-	(43,276)	(1,300)	302,935
Vehicle	14,116	-	(9,411)	-	4,705
Equipment	12,295	2,341	(5,645)	1,300	10,291
Current portion	<u>(62,476)</u>	<u>-</u>	<u>-</u>	<u>4,805</u>	<u>(57,671)</u>
	<u>\$ 361,013</u>	<u>\$ 18,432</u>	<u>\$ (63,186)</u>	<u>\$ 4,805</u>	<u>\$ 321,064</u>

	Balance, beginning of year	Received	Recognized	Change in current portion	Balance at June 30, 2022
Pitseng Centre	\$ 24,201	\$ 29,234	\$ (3,868)	-	\$ 49,567
Hlotse Centre	390,787	-	(43,276)	-	347,511
Vehicle	23,527	-	(9,411)	-	14,116
Equipment	16,737	3,012	(7,454)	-	12,295
Current portion	<u>(63,117)</u>	<u>-</u>	<u>-</u>	<u>641</u>	<u>(62,476)</u>
	<u>\$ 392,135</u>	<u>\$ 32,246</u>	<u>\$ (64,009)</u>	<u>\$ 641</u>	<u>\$ 361,013</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2023

11. 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.

No allocations were made in the current or prior fiscal period with respect to these funds.

12. Contributed services and materials

The total amount of contributed goods and services for which revenue was recognized during the current year is equal to \$121,566 (2022 - \$66,594); \$89,309 of which is recorded in unrestricted donations (2022 - \$57,105); and \$32,257 of which is recorded in restricted donations (2022 - \$9,489). The contributions in both years consisted of marketable securities.

13. Financial risks

(a) Other risks

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(c) 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.

(d) 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, 2023 the following foreign currency balance was included in the financial statements:

	South African Rand	Canadian dollars
Cash and cash equivalents	3,026,520	617,191

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2023

14. Change in non-cash working capital items

	<u>2023</u>	<u>2022</u>
Short-term investment	\$ 48,180	\$ (1,558)
Accounts receivable	(26,321)	(22,985)
Inventory	4,064	3,097
Prepaid expenses	18,156	(19,862)
Accounts payable and accrued liabilities	2,461	(4,243)
Deferred contributions	(228,772)	304,421
	<u>\$ (182,232)</u>	<u>\$ 258,870</u>

Help Lesotho

Schedules to the Financial Statements

Schedule of program

Schedule 1

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 818,046	\$ 779,732
Program materials	142,294	204,134
School fees and supplies	121,055	118,635
Meals	97,487	75,212
Transportation	79,358	69,823
Amortization	72,107	90,070
Occupancy	51,454	31,021
Communications and utilities	44,984	45,976
Travel and accomodation	40,501	25,040
Stipends	35,609	50,085
Office	13,382	16,855
Insurance	9,593	10,480
Professional fees	6,355	8,117
Bank charges	3,846	6,801
Advertising	-	1,542
Total	<u>\$ 1,536,071</u>	<u>\$ 1,533,523</u>

Schedule of administrative

Schedule 2

	<u>2023</u>	<u>2022</u>
Payroll and benefits	\$ 78,086	\$ 41,010
Fundraising	37,911	23,488
Professional fees	13,678	10,630
Communications	11,339	9,979
Travel	10,582	1,733
Office supplies and expenses	9,516	8,920
Bank charges	8,191	8,366
Amortization	4,870	5,534
Total	<u>\$ 174,173</u>	<u>\$ 109,660</u>
