
Help Lesotho

Financial Statements

June 30, 2015

Help Lesotho**Financial Statements**

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Independent Auditor's Report

To the Directors of Help Lesotho

We have audited the accompanying financial statements of Help Lesotho, which comprise the statement of financial position as at June 30, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Independent Auditor's Report (continued)

Basis for Qualified Opinion

In common with many charitable organizations, Help Lesotho derives a material amount of revenue from donations and sales of product settled in cash, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the books of the Organization and we were not able to determine whether any adjustments might be necessary to unrestricted and restricted donations and product sales, excess of revenues over expenses, assets and net assets.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2015 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.

Other Matter

The balance sheet as at June 30, 2014 and the statements of operations, changes in net assets and cash flows for the year ended June 30, 2014, were audited by another firm of Chartered Professional Accountants with a qualified opinion on the same basis as outlined above, dated November 6, 2014.

The logo for Vaive and Associates is rendered in a stylized, dotted font. The word "Vaive" is on the left, followed by "and" in a smaller font, and "Associates" is on the right.

**Ottawa
December 14, 2015**

**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>2015</u>	<u>2014</u>
Revenue		
Unrestricted donations (note 11)	\$ 634,878	\$ 523,517
Grants (note 8)	490,348	407,291
Restricted donations (notes 8 and 11)	291,509	258,692
Product sales, net (note 3)	65,822	65,363
Amortization of deferred contributions relating to capital assets (note 9)	46,754	46,754
Other revenue	11,275	4,702
Interest	7,148	6,402
Foreign exchange gain (loss)	1,192	(3,173)
Gain (loss) on sale of marketable securities	521	(419)
Gain on disposal of capital assets	-	452
	<u>1,549,447</u>	<u>1,309,581</u>
Expenses		
Program (schedule 1)	1,254,539	954,687
Administrative (schedule 2)	158,570	182,483
	<u>1,413,109</u>	<u>1,137,170</u>
Excess of revenue over expenses	<u>\$ 136,338</u>	<u>\$ 172,411</u>

Help Lesotho**Statement of Changes in Net Assets**

For the year ended June 30, 2015

	Balance, beginning of year	Transfer from Unrestricted	Transfer to Reserve fund	Excess of revenue over expenses	2015 Balance, end of year
Unrestricted	\$ 145,606	\$ -	\$ (93,902)	\$ 136,338	\$ 188,042
Reserve fund	450,000	93,902	-	-	543,902
	\$ 595,606	\$ 93,902	\$ (93,902)	\$ 136,338	\$ 731,944
	Balance, beginning of year	Transfer from Unrestricted	Transfer to Reserve fund	Excess of revenue over expenses	2014 Balance, end of year
Unrestricted	\$ 98,195	\$ -	\$ (125,000)	\$ 172,411	\$ 145,606
Reserve fund	325,000	125,000	-	-	450,000
	\$ 423,195	\$ 125,000	\$ (125,000)	\$ 172,411	\$ 595,606

Help Lesotho

Statement of Financial Position

June 30,	2015	2014
Assets		
Current		
Cash and cash equivalents	\$ 426,125	\$ 466,639
Short-term investment (note 4)	115,433	30,000
Accounts receivable (note 5)	40,068	15,738
Inventory	9,984	9,242
Prepaid expenses	8,195	6,676
Total Current	599,805	528,295
Long-term investment (note 4)	203,316	112,762
Capital assets (note 6)	710,474	784,547
	\$ 1,513,595	\$ 1,425,604
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 62,777	\$ 61,190
Deferred contributions (note 8)	24,664	27,844
Current portion of deferred contributions relating to capital assets (note 9)	46,754	46,754
Total Current	134,195	135,788
Deferred contributions relating to capital assets (note 9)	647,456	694,210
	781,651	829,998
Net Assets		
Unrestricted	188,042	145,606
Reserve fund (note 10)	543,902	450,000
	731,944	595,606
	\$ 1,513,595	\$ 1,425,604

Approved by the board:

_____ Director

_____ Director

Help Lesotho

Statement of Cash Flows

For the year ended June 30,	2015	2014
Operating activities		
Excess of revenue over expenses	\$ 136,338	\$ 172,411
Items not affecting cash		
Amortization of capital assets	1,299	455
Amortization of deferred contributions relating to capital assets	(46,754)	(46,754)
Gain on sale of capital assets	-	(452)
Amortization allocated in program expenses	75,722	78,748
Loss (gain) on disposal of marketable securities	(521)	419
Donation of equity investments	(107,222)	(195,859)
	<u>58,862</u>	<u>8,968</u>
Change in non-cash working capital items		
Short-term investment	(85,433)	(30,000)
Accounts receivable	(24,330)	6,418
Inventory	(742)	4,827
Prepaid expenses	(1,519)	(1,595)
Accounts payable and accrued liabilities	1,587	(6,650)
Deferred contributions	(3,180)	(26,388)
	<u>(54,755)</u>	<u>(44,420)</u>
Investing activities		
Purchase of investments	(90,554)	(112,762)
Proceeds on sale of investments	107,743	195,440
Purchase of capital assets	(2,948)	(1,559)
Proceeds on disposal of capital assets	-	452
	<u>14,241</u>	<u>81,571</u>
Increase (decrease) in cash and cash equivalents	(40,514)	37,151
Cash and cash equivalents, beginning of year	466,639	429,488
Cash and cash equivalents, end of year	\$ 426,125	\$ 466,639
Cash and cash equivalents consist of:		
Cash	\$ 94,317	\$ 345,110
Money market funds	331,808	121,529
	<u>\$ 426,125</u>	<u>\$ 466,639</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

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 incomes 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 policies are detailed as follows:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Under this method, donations, grants and other contributions restricted for future period expenses are deferred and are recognized in the period in which the related expenditures are incurred. Unrestricted donations and contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

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

The Organization recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

The work of the Organization is assisted by the contribution of time and expenses of volunteers, and contribution of office space, the value of which is not recognized in these financial statements.

The Organization's policy is to sell contributed investments immediately.

(c) Cash and cash equivalents

The Organization's policy is to present cash and investments having a term of one year or less from the acquisition date with cash and cash equivalents.

(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.

2. Significant accounting policies (continued)

(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 operations and changes in net assets.

(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

When the Organization receives capital asset contributions, their cost is equal to their fair value at the contribution date.

(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.

(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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include useful life of capital assets and allocation of expenses to projects. Actual results could differ from those estimates.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

2. Significant accounting policies (continued)

(i) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

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

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

The Organization has not designated any financial asset or financial liability to be measured at fair value.

(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.

3. Product sales, net

	<u>2015</u>	<u>2014</u>
Product sales	\$ 110,753	\$ 104,756
Cost of sales	<u>(44,931)</u>	<u>(39,393)</u>
	<u>\$ 65,822</u>	<u>\$ 65,363</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

4. Investments

The short-term investment is comprised of a guaranteed investment certificate bearing interest at 1.82% maturing March 2016 (2014 - 1.65% maturing January 2015).

The long-term investment is comprised of a guaranteed investment certificate bearing interest at 2% maturing September 2016 (2014 - 1.82% maturing March 2016).

5. Accounts receivable

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 39,355	\$ 15,479
Sales tax	713	259
	<u>\$ 40,068</u>	<u>\$ 15,738</u>

6. Capital assets

	<u>2015</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Buildings	\$ 943,871	\$ 242,089	\$ 701,782
Vehicles	58,304	58,304	-
Office equipment	24,678	22,581	2,097
Furniture and fixtures	96,700	90,105	6,595
	<u>\$ 1,123,553</u>	<u>\$ 413,079</u>	<u>\$ 710,474</u>
	<u>2014</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Buildings	\$ 943,871	\$ 193,785	\$ 750,086
Vehicles	58,304	48,463	9,841
Office equipment	22,123	19,666	2,457
Furniture and fixtures	96,306	74,143	22,163
	<u>\$ 1,120,604</u>	<u>\$ 336,057</u>	<u>\$ 784,547</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

7. Accounts payable and accrued liabilities

	<u>2015</u>	<u>2014</u>
Accounts payable and accrued liabilities	\$ 54,432	\$ 53,739
Due to government agencies	8,345	7,451
	<u>\$ 62,777</u>	<u>\$ 61,190</u>

8. Deferred contributions

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2015 Balance end of year
Education and school projects	\$ 20,931	\$ 107,745	\$ 115,604	\$ 13,071
HIV/AIDS and gender equity	-	139,944	139,944	-
Leadership	2,513	385,603	376,523	11,593
Grandmother support	-	115,992	115,992	-
Orphans and vulnerable children	-	29,394	29,394	-
Golf tournament	4,400	-	4,400	-
	<u>\$ 27,844</u>	<u>\$ 778,678</u>	<u>\$ 781,857</u>	<u>\$ 24,664</u>

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2014 Balance end of year
Education and school projects	\$ 33,060	\$ 112,803	\$ 124,932	\$ 20,931
HIV/AIDS and gender equity	-	66,067	66,067	-
Leadership	5,650	282,522	285,659	2,513
Grandmother support	15,522	106,795	122,317	-
Orphans and vulnerable children	-	67,008	67,008	-
Golf tournament	-	4,400	-	4,400
	<u>\$ 54,232</u>	<u>\$ 639,595</u>	<u>\$ 665,983</u>	<u>\$ 27,844</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

9. Deferred contributions relating to capital assets

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2015 Balance end of year
Pitseng Centre	\$ 48,540	\$ -	\$ (3,477)	\$ 45,063
Hlotse Centre	692,424	-	(43,277)	649,147
	740,964	-	(46,754)	694,210
Less current portion	(46,754)	-	-	(46,754)
	-	-	-	-
	<u>\$ 694,210</u>	<u>\$ -</u>	<u>\$ (46,754)</u>	<u>\$ 647,456</u>

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2014 Balance end of year
Pitseng Centre	\$ 52,017	\$ -	\$ (3,477)	\$ 48,540
Hlotse Centre	735,701	-	(43,277)	692,424
	787,718	-	(46,754)	740,964
Less current portion	(46,754)	-	-	(46,754)
	-	-	-	-
	<u>(46,754)</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>
	<u>\$ 740,964</u>	<u>\$ -</u>	<u>\$ (46,754)</u>	<u>\$ 694,210</u>

10. Reserve fund

The reserve fund was established to protect against unforeseen and unexpected financial circumstances by maintaining six to twelve months of operating and program expenses in the fund. During the year, the Organization transferred \$93,902 to the reserve fund (2014 - \$125,000)

11. Contributed services and materials

The total amount of contributed goods and services for which revenue was recognized during the current year is equal to \$107,222 (2014 - \$195,859); \$97,366 of which is recorded in unrestricted donations (2014 - \$188,279); and \$9,856 of which is recorded in restricted donations (2014 - \$7,850). The contributions in both years consisted of marketable securities.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

12. Allocation of expenses

	Administrative salary and wages	Amortization	Administrative	2015	2014
Program expenses					
Education and school projects	\$ 74,211	\$ 2,377	\$ 2,155	\$ 78,743	75,858
HIV/AIDS and gender equity	69,802	23,039	2,155	94,996	84,553
Leadership	68,544	33,686	2,155	104,385	90,475
Grandmothers support	61,138	13,282	2,156	76,576	92,743
Orphans and vulnerable children	60,696	3,338	2,156	66,190	60,682
Program fundraising	21,874	-	-	21,874	24,186
	<u>\$ 356,265</u>	<u>\$ 75,722</u>	<u>\$ 10,777</u>	<u>\$ 442,764</u>	<u>428,497</u>

Administrative expenses allocated comprise the following:

	2015	2014
Professional fees	\$ 4,287	\$ 11,720
Bank charges	2,328	1,220
Office supplies and expenses	1,935	990
Travel	1,034	9
Courier and postage	670	47
Communications	523	590
	<u>\$ 10,777</u>	<u>\$ 14,576</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2015

13. 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 contributor. However, the Organization has a significant number of contributors which minimizes concentration of credit risk.

(b) Foreign currency 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, 2015, the following foreign currency balance was included in the financial statements:

	South African Rand	Canadian dollar equivalent
Cash and cash equivalents	M 420,565	\$ 43,192

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) Other risks

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

Help Lesotho

Schedules to the Financial Statements

Schedule of Program expenses

Schedule 1

	<u>2015</u>	<u>2014</u>
Leadership	\$ 441,400	\$ 286,359
HIV/AIDS and gender equity	294,636	182,514
Education and school projects	256,048	209,052
Grandmother support	159,553	173,193
Orphans and vulnerable children	<u>102,902</u>	<u>103,569</u>
Total program expenses	<u>\$ 1,254,539</u>	<u>\$ 954,687</u>

Schedule of Administrative expenses

Schedule 2

	<u>2015</u>	<u>2014</u>
Fundraising	\$ 63,482	\$ 54,777
Payroll and benefits	53,161	37,397
Professional fees	15,589	68,849
Office supplies and expenses	8,834	9,339
Bank charges	6,981	6,912
Communications	4,019	1,789
Travel	3,327	2,759
Courier and postage	1,878	206
Amortization	<u>1,299</u>	<u>455</u>
Total administrative expenses	<u>\$ 158,570</u>	<u>\$ 182,483</u>