
Help Lesotho

Financial Statements

June 30, 2017

Help Lesotho**Financial Statements**

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VAIVE AND ASSOCIATES

Professional Corporation

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, 2017, 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, 2017 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.

Vaive and Associates

**Ottawa
November 27, 2017**

**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,	2017	2016
Revenue		
Grants (note 8)	\$ 477,704	\$ 472,424
Unrestricted donations (note 11)	441,285	444,281
Restricted donations (note 8)	381,544	297,485
Product sales, net (note 3)	70,866	60,058
Amortization of deferred contributions relating to capital assets (note 9)	46,754	46,754
Interest	25,878	8,625
Foreign exchange gain	17,421	3,143
Gain on disposal of capital assets	3,466	-
Other revenue	1,119	107
Unrealized gain on long-term investment	169	1,666
Gain (loss) on sale of marketable securities	21	(3,291)
	<u>1,466,227</u>	<u>1,331,252</u>
Expenses		
Program (schedule 1)	1,270,417	1,163,645
Administrative (schedule 2)	142,402	122,547
	<u>1,412,819</u>	<u>1,286,192</u>
Excess of revenue over expenses	<u>\$ 53,408</u>	<u>\$ 45,060</u>

Help Lesotho

Statement of Changes in Net Assets

	Balance, beginning of year	Transfer from Unrestricted	Excess of revenue over expenses	2017 Balance, end of year
Unrestricted	\$ 145,252	\$ (53,211)	\$ 53,408	\$ 145,449
Reserve Funds (note 10)	631,752	53,211	-	684,963
	<u>\$ 777,004</u>	<u>\$ -</u>	<u>\$ 53,408</u>	<u>\$ 830,412</u>
	Balance, beginning of year	Transfer from Unrestricted	Excess of revenue over expenses	2016 Balance, end of year
Unrestricted	\$ 188,042	\$ (87,850)	\$ 45,060	\$ 145,252
Reserve Funds	543,902	87,850	-	631,752
	<u>\$ 731,944</u>	<u>\$ -</u>	<u>\$ 45,060</u>	<u>\$ 777,004</u>

Help Lesotho

Statement of Financial Position

June 30,	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 166,010	\$ 518,498
Short-term investment (note 4)	298,609	207,382
Accounts receivable (note 5)	22,541	22,541
Inventory	14,258	15,687
Prepaid expenses	12,632	12,874
Total Current	514,050	776,982
Long-term investment (note 4)	386,354	152,541
Capital assets (note 6)	683,172	659,027
	\$ 1,583,576	\$ 1,588,550
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 59,066	\$ 28,412
Deferred contributions (note 8)	93,394	135,677
Current portion of deferred contributions relating to capital assets (note 9)	46,754	46,754
Total Current	199,214	210,843
Deferred contributions relating to capital assets (note 9)	553,950	600,703
	753,164	811,546
Net Assets		
Unrestricted	145,449	145,252
Reserve Funds (note 10)	684,963	631,752
	830,412	777,004
	\$ 1,583,576	\$ 1,588,550

Approved by the board:

_____ Director

_____ Director

Help Lesotho

Statement of Cash Flows

For the year ended June 30,	2017	2016
Operating activities		
Excess of revenue over expenses	\$ 53,408	\$ 45,060
Items not affecting cash		
Amortization of capital assets	1,532	1,030
Amortization of deferred contributions relating to capital assets	(46,754)	(46,754)
Gain on sale of capital assets	(3,466)	-
Amortization allocated in program expenses	57,688	54,780
Loss (gain) on disposal of marketable securities	(21)	3,291
Donation of equity investments	(90,222)	(82,635)
Unrealized gain on long-term investment	(169)	(1,666)
	<u>(28,004)</u>	<u>(26,894)</u>
Change in non-cash working capital items		
Short-term investment	(91,227)	(91,949)
Accounts receivable	-	17,527
Inventory	1,429	(5,703)
Prepaid expenses	242	(4,679)
Accounts payable and accrued liabilities	30,654	(34,365)
Deferred contributions	(42,283)	111,013
	<u>(129,189)</u>	<u>(35,050)</u>
Investing activities		
Purchase of investments	(230,179)	(152,541)
Proceeds on sale of investments	90,243	284,326
Purchase of capital assets	(83,363)	(4,362)
	<u>(223,299)</u>	<u>127,423</u>
Increase (decrease) in cash and cash equivalents	(352,488)	92,373
Cash and cash equivalents, beginning of year	518,498	426,125
Cash and cash equivalents, end of year	\$ 166,010	\$ 518,498
Cash and cash equivalents consist of:		
Cash	\$ 165,977	\$ 248,194
Investment savings account	33	270,304
	<u>\$ 166,010</u>	<u>\$ 518,498</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2017

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. 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.

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.

2. Significant accounting policies (continued)

(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.

(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

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.

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 the 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, 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.

Financial assets measured at fair value include equity funds.

(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, 2017

3. Product sales, net

	<u>2017</u>	<u>2016</u>
Product sales	\$ 81,700	\$ 83,359
Cost of sales	<u>(10,934)</u>	<u>(23,301)</u>
	<u>\$ 70,766</u>	<u>\$ 60,058</u>

4. Investments

The short-term investment is comprised of an investment interest savings account bearing interest at 0.95% (2016 - GIC at 2% maturing September 2016).

The long-term investment is comprised of equity based mutual funds.

5. Accounts receivable

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 22,081	\$ 19,731
Sales tax	<u>460</u>	<u>2,810</u>
	<u>\$ 22,541</u>	<u>\$ 22,541</u>

6. Capital assets

	<u>2017</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Buildings	\$ 960,365	\$ 337,843	\$ 622,522
Vehicles	108,806	64,616	44,190
Office equipment	28,449	22,097	6,352
Furniture and fixtures	<u>108,593</u>	<u>98,485</u>	<u>10,108</u>
	<u>\$ 1,206,213</u>	<u>\$ 523,041</u>	<u>\$ 683,172</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2017

6. Capital assets (continued)

	2016		
	Cost	Accumulated amortization	Net book value
Buildings	\$ 943,871	\$ 290,391	\$ 653,480
Vehicles	58,304	58,304	-
Office equipment	26,203	23,953	2,250
Furniture and fixtures	99,536	96,239	3,297
	<u>\$ 1,127,914</u>	<u>\$ 468,887</u>	<u>\$ 659,027</u>

7. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 46,689	\$ 20,583
Due to government agencies	12,377	7,829
	<u>\$ 59,066</u>	<u>\$ 28,412</u>

8. Deferred contributions

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2017 Balance end of year
Education and school projects	\$ 14,857	\$ 63,193	\$ (23,202)	\$ 54,848
HIV/AIDS and gender equity	3,865	345,788	(339,674)	9,979
Leadership	16,955	16,335	(16,416)	16,874
Grandmother support	-	13,032	(1,339)	11,693
Pitseng Centre	100,000	-	(100,000)	-
	<u>\$ 135,677</u>	<u>\$ 438,348</u>	<u>\$ (480,631)</u>	<u>\$ 93,394</u>
	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2016 Balance end of year
Education and school projects	\$ 13,071	\$ 108,904	\$ (107,118)	\$ 14,857
HIV/AIDS and gender equity	-	330,123	(326,258)	3,865
Leadership	11,593	231,019	(225,657)	16,955
Grandmother support	-	72,945	(72,945)	-
Orphans and vulnerable children	-	37,931	(37,931)	-
Pitseng Centre	-	100,000	-	100,000
	<u>\$ 24,664</u>	<u>\$ 880,922</u>	<u>\$ (769,909)</u>	<u>\$ 135,677</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2017

9. Deferred contributions relating to capital assets

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2017 Balance end of year
Pitseng Centre	\$ 41,586	\$ -	\$ (3,477)	\$ 38,109
Hlotse Centre	605,871	-	(43,277)	562,594
	647,457	-	(46,754)	600,703
Less current portion	(46,754)	-	-	(46,754)
	<u>\$ 600,703</u>	<u>\$ -</u>	<u>\$ (46,754)</u>	<u>\$ 553,949</u>
	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2016 Balance end of year
Pitseng Centre	\$ 45,063	\$ -	\$ (3,477)	\$ 41,586
Hlotse Centre	649,147	-	(43,277)	605,870
	694,210	-	(46,754)	647,456
Less current portion	(46,754)	-	-	(46,754)
	<u>\$ 647,456</u>	<u>\$ -</u>	<u>\$ (46,754)</u>	<u>\$ 600,702</u>

10. Reserve funds

In the 2016 fiscal year, Help Lesotho's reserve funds were allocated to two separate funds: the Emergencies Reserve Funds and a Long-Term Investment Funds. 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 \$53,210 to the reserve funds (2016 - \$87,850)

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 \$90,222 (2016 - \$82,635); \$82,170 of which is recorded in unrestricted donations (2016 - \$82,635); and \$8,052 of which is recorded in restricted donations (2016 - \$nil). The contributions in both years consisted of marketable securities.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2017

12. Allocation of expenses

Program expenses	Administrative salary and wages	Amortization	*Administrative	2017	2016
Education and school projects	\$ 83,100	\$ 3,073	\$ 958	\$ 87,130	\$ 84,420
HIV/AIDS and gender equity	106,203	18,482	958	125,642	102,387
Leadership	102,782	28,239	958	131,978	106,006
Grandmothers support	86,988	3,947	957	91,893	76,601
Orphans and vulnerable children	81,629	30,676	957	113,262	75,835
	<u>\$ 460,702</u>	<u>\$ 84,417</u>	<u>\$ 4,788</u>	<u>\$ 549,905</u>	<u>\$ 445,249</u>

*Administrative expenses allocated comprise the following:

	2017	2016
Professional fees	\$ 2,054	\$ 4,243
Office supplies and expenses	1,308	2,833
Communications	322	2,368
Bank charges	899	1,121
Travel	179	370
Postage and courier	26	273
	<u>\$ 4,788</u>	<u>\$ 11,208</u>

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.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2017

13. Financial risks (continued)

(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, 2017, the following foreign currency balance was included in the financial statements:

	South African Rand	Canadian dollar equivalent
Cash and cash equivalents	\$ 961,742	\$ 95,376

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

For the year ended June 30,

Schedule of Program expenses

Schedule 1

	<u>2017</u>	<u>2016</u>
HIVAIDs and gender equity	\$ 361,923	\$ 355,302
Leadership	349,066	335,892
Education and school projects	237,449	191,861
Grandmother support	192,801	143,650
Orphans and vulnerable children	129,178	136,940
Total program expenses	<u>\$ 1,270,417</u>	<u>\$ 1,163,645</u>

Schedule of Administrative expenses

Schedule 2

	<u>2017</u>	<u>2016</u>
Payroll and benefits	\$ 50,041	\$ 19,159
Fundraising	33,895	37,454
Professional fees	26,183	40,952
Office supplies and expenses	11,420	10,207
Bank charges	9,897	8,973
Travel	5,057	926
Communications	4,377	3,846
Amortization	1,532	1,030
Total administrative expenses	<u>\$ 142,402</u>	<u>\$ 122,547</u>