
Help Lesotho

Financial Statements

June 30, 2018

Help Lesotho**Financial Statements**

June 30, 2018

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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, 2018, 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.

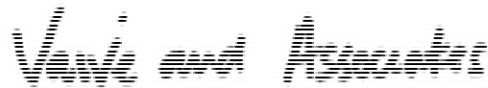
Independent Auditor's Report (continued)

Basis for Qualified Opinion

In common with many charitable organizations, Help Lesotho derives revenue from donations and fundraising activities 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 records of Help Lesotho 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 for the years ended June 30, 2018 and June 30, 2017, and assets and net assets as at June 30, 2018 and June 30, 2017.

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, 2018 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.

The logo for Vaive and Associates is rendered in a stylized, dotted font. The word "Vaive" is on the left, "and" is in the middle, and "Associates" is on the right. The letters are composed of vertical lines of varying lengths, creating a textured, digital appearance.

**Ottawa
December 3, 2018**

**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>2018</u>	<u>2017</u>
Revenue		
Unrestricted donations (note 3)	\$ 644,258	\$ 522,945
Grants (note 3)	367,175	474,980
Restricted donations (note 3)	257,403	299,884
Product sales, net (note 4)	48,081	70,866
Amortization of deferred contributions relating to capital assets	52,203	49,478
Interest	27,369	25,878
Gain on sale of marketable securities	14,426	21
Other revenue	4,039	1,119
Gain on disposal of capital assets	-	3,466
Unrealized gain on long-term investment	-	169
Gain (loss) on foreign exchange	(13,211)	17,421
	<u>1,401,743</u>	<u>1,466,227</u>
Expenses		
Program (schedule 1)	1,199,476	1,270,417
Administrative (schedule 2)	171,216	142,402
	<u>1,370,692</u>	<u>1,412,819</u>
Excess of revenue over expenses	<u>\$ 31,051</u>	<u>\$ 53,408</u>

Help Lesotho

Statement of Changes in Net Assets

	Balance, beginning of year	Transfer from Unrestricted	Excess of revenue over expenses	2018 Balance, end of year
Unrestricted	\$ 145,449	\$ -	\$ 31,051	\$ 176,500
Reserve Funds	684,963	-	-	684,963
	\$ 830,412	\$ -	\$ 31,051	\$ 861,463

	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	631,752	53,211	-	684,963
	\$ 777,004	\$ -	\$ 53,408	\$ 830,412

Help Lesotho

Statement of Financial Position

June 30,	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 233,770	\$ 166,010
Short-term investment (note 5)	207,439	298,609
Accounts receivable (note 6)	15,281	22,541
Inventory	6,635	14,258
Prepaid expenses	10,011	12,632
Total Current	473,136	514,050
Long-term investment (note 5)	435,727	386,354
Capital assets (note 7)	633,972	683,172
	\$ 1,542,835	\$ 1,583,576
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 40,513	\$ 59,067
Deferred contributions (note 9)	70,687	71,722
Current portion of deferred contributions relating to capital assets (note 10)	46,754	46,754
Total Current	157,954	177,543
Deferred contributions relating to capital assets (note 10)	523,418	575,621
	681,372	753,164
Net Assets		
Unrestricted	176,500	145,449
Reserve Funds	684,963	684,963
	861,463	830,412
	\$ 1,542,835	\$ 1,583,576

Approved by the board:

_____ Director

_____ Director

Help Lesotho

Statement of Cash Flows

For the year ended June 30,	2018	2017
Operating activities		
Excess of revenue over expenses	\$ 31,051	\$ 53,408
Items not affecting cash		
Amortization of capital assets	1,228	1,532
Amortization of deferred contributions relating to capital assets	(52,203)	(46,754)
Gain on sale of capital assets	-	(3,466)
Amortization allocated in program expenses	65,829	57,688
Gain on disposal of marketable securities	(14,426)	(21)
Donation of equity investments	(103,661)	(90,222)
Unrealized gain on long-term investment	834	(169)
	<u>(71,348)</u>	<u>(28,004)</u>
Change in non-cash working capital items		
Short-term investment	91,170	(91,227)
Accounts receivable	7,260	-
Inventory	7,623	1,429
Prepaid expenses	2,621	242
Accounts payable and accrued liabilities	(18,554)	30,654
Deferred contributions	(1,035)	(42,283)
	<u>17,737</u>	<u>(129,189)</u>
Investing activities		
Purchase of investments	(361,810)	(230,179)
Proceeds on sale of investments	429,642	90,243
Purchase of capital assets	(17,809)	(83,363)
	<u>50,023</u>	<u>(223,299)</u>
Increase (decrease) in cash and cash equivalents	67,760	(352,488)
Cash and cash equivalents, beginning of year	166,010	518,498
Cash and cash equivalents, end of year	\$ 233,770	\$ 166,010
Cash and cash equivalents consist of:		
Cash	\$ 233,731	\$ 165,977
Investment savings account	39	33
	<u>\$ 233,770</u>	<u>\$ 166,010</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

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 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

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

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, 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, 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 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, 2018

3. Contributions by major source

	<u>2018</u>	<u>2017</u>
International development organizations	\$ 51,079	\$ 106,044
Individuals	776,321	669,945
Foundations	273,084	254,172
Other not-for-profit organizations	109,063	225,208
Corporate	64,739	45,165
	<u>\$ 1,274,286</u>	<u>\$ 1,300,534</u>

4. Product sales, net

	<u>2018</u>	<u>2017</u>
Product sales	\$ 64,709	\$ 81,700
Cost of sales	<u>(16,628)</u>	<u>(10,934)</u>
	<u>\$ 48,081</u>	<u>\$ 70,766</u>

5. Investments

The short-term investment is comprised of an investment interest savings account bearing interest at 0.95%.

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

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 14,879	\$ 22,081
Sales tax	402	460
	<u>\$ 15,281</u>	<u>\$ 22,541</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

7. Capital assets

	2018		
	Cost	Accumulated amortization	Net book value
Buildings	\$ 974,466	\$ 386,061	\$ 588,405
Vehicles	108,806	77,242	31,564
Office equipment	31,027	27,501	3,526
Furniture and fixtures	108,593	99,060	9,533
Leasehold improvements	1,180	236	944
	<u>\$ 1,224,072</u>	<u>\$ 590,100</u>	<u>\$ 633,972</u>
	2017		
	Cost	Accumulated amortization	Net book value
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	108,593	98,485	10,108
	<u>\$ 1,206,213</u>	<u>\$ 523,041</u>	<u>\$ 683,172</u>

8. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 40,513	\$ 46,690
Due to government agencies	-	12,377
	<u>\$ 40,513</u>	<u>\$ 59,067</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

9. Deferred contributions

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2018 Balance end of year
HIV/AIDS and gender equity	\$ 42,059	\$ 200,088	\$ (234,647)	\$ 7,500
Leadership	16,874	219,212	(211,429)	24,657
Grandmother support	-	49,986	(49,986)	-
Orphans and vulnerable children	-	16,369	(7,729)	8,640
Pitseng Centre	-	-	-	-
Education and school projects	9,139	122,208	(117,138)	14,209
Other	3,650	15,680	(3,649)	15,681
	<u>\$ 71,722</u>	<u>\$ 623,543</u>	<u>\$ (624,578)</u>	<u>\$ 70,687</u>

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2017 Balance end of year
HIV/AIDS and gender equity	\$ 14,857	\$ 310,959	\$ (283,757)	\$ 42,059
Leadership	3,865	180,125	(167,116)	16,874
Grandmother support	16,955	63,421	(80,376)	-
Orphans and vulnerable children	-	16,935	(16,935)	-
Pitseng Centre	100,000	-	(100,000)	-
Education and school projects	-	134,814	(125,675)	9,139
Other	-	3,650	-	3,650
	<u>\$ 135,677</u>	<u>\$ 709,904</u>	<u>\$ (773,859)</u>	<u>\$ 71,722</u>

10. Deferred contributions relating to capital assets

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2018 Balance end of year
Pitseng Centre	\$ 38,109	\$ -	\$ (3,477)	\$ 34,632
Hlotse Centre	574,287	-	(45,875)	528,412
Vehicle	9,979	-	(2,851)	7,128
	<u>622,375</u>	<u>-</u>	<u>(52,203)</u>	<u>570,172</u>
Less current portion	<u>(46,754)</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>
	<u>\$ 575,621</u>	<u>\$ -</u>	<u>\$ (52,203)</u>	<u>\$ 523,418</u>

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

10. Deferred contributions relating to capital assets (continued)

	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	13,032	(44,616)	574,287
Vehicle	-	11,440	(1,461)	9,979
	<u>647,457</u>	<u>24,472</u>	<u>(49,554)</u>	<u>622,375</u>
Less current portion	<u>(46,754)</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>
	<u>\$ 600,703</u>	<u>\$ 24,472</u>	<u>\$ (49,554)</u>	<u>\$ 575,621</u>

11. Reserve funds

Help Lesotho's reserve funds are allocated to two separate funds: the Emergencies Reserve Fund and 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 (2017 - \$53,210).

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 \$103,661 (2017 - \$90,222); \$99,363 of which is recorded in unrestricted donations (2017 - \$82,170); and \$4,297 of which is recorded in restricted donations (2017 - \$8,052). The contributions in both years consisted of marketable securities.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

13. Allocation of expenses

	Administrative salary and wages	Amortization	Administrative *	2018	2017
Education and school projects	\$ 78,277	\$ 4,463	\$ 837	\$ 83,577	\$ 87,130
HIV/AIDS and gender equity	121,378	20,069	837	142,284	125,642
Leadership	124,146	30,622	837	155,605	131,978
Grandmothers support	76,875	5,338	836	83,049	91,893
Orphans and vulnerable children	67,509	5,338	836	73,683	113,262
	<u>\$ 468,185</u>	<u>\$ 65,830</u>	<u>\$ 4,183</u>	<u>\$ 538,198</u>	<u>\$ 549,905</u>

*Administrative expenses allocated comprise the following:

	2018	2017
Professional fees	\$ 1,497	\$ 2,054
Office supplies and expenses	806	1,308
Communications	428	322
Bank charges	1,212	899
Travel	126	179
Postage and courier	114	26
	<u>\$ 4,183</u>	<u>\$ 4,788</u>

The allocation of administrative salaries and wages is based on the percentage of time working on programs.

Help Lesotho

Notes to the Financial Statements

For the year ended June 30, 2018

14. 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 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, 2018, the following foreign currency balance was included in the financial statements:

	South African Rand	Canadian dollars
Cash and cash equivalents	1,395,658 \$	133,648

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>2018</u>	<u>2017</u>
Leadership	\$ 379,194	\$ 349,066
HIV/AIDS and gender equity	361,036	361,923
Education and school projects	208,149	237,449
Grandmother support	143,924	192,801
Orphans and vulnerable children	<u>107,173</u>	<u>129,178</u>
Total program expenses	<u>\$ 1,199,476</u>	<u>\$ 1,270,417</u>

Schedule of administrative expenses

Schedule 2

	<u>2018</u>	<u>2017</u>
Payroll and benefits	\$ 92,936	\$ 50,041
Fundraising	36,529	33,895
Office supplies and expenses	15,925	11,420
Professional fees	9,649	26,183
Bank charges	6,869	9,897
Communications	4,117	4,377
Travel	3,963	5,057
Amortization	<u>1,228</u>	<u>1,532</u>
Total administrative expenses	<u>\$ 171,216</u>	<u>\$ 142,402</u>