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**Help Lesotho**

**Financial Statements**

**June 30, 2019**

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**Help Lesotho****Financial Statements**

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**June 30, 2019**

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# VAIVE AND ASSOCIATES

## Professional Corporation

### 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, 2019, 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 financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2019 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.

##### *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, 2019 and June 30, 2018, and assets and net assets as at June 30, 2019 and June 30, 2018.

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 the 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.

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.

## Independent Auditor's Report (continued)

### *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.
- ♦ 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 25, 2019**

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

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## Help Lesotho

### Statement of Operations

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For the year ended June 30,	2019	2018
<b>Revenue</b>		
Grants (note 3)	\$ 538,819	\$ 367,175
Unrestricted donations (note 3)	538,676	644,258
Restricted donations (note 3)	258,676	257,403
Interest	57,928	27,369
Amortization of deferred contributions relating to capital assets (note 9)	52,203	52,203
Product sales, net (note 4)	42,053	48,081
Other revenue	10,972	4,039
Gain (loss) on sale of marketable securities	(936)	14,426
Loss on foreign exchange	(6,267)	(13,211)
	<u>1,492,124</u>	<u>1,401,743</u>
<b>Expenses</b>		
Program	1,222,212	1,199,476
Administrative (schedule 1)	127,769	171,216
	<u>1,349,981</u>	<u>1,370,692</u>
<b>Excess of revenue over expenses</b>	<u>\$ 142,143</u>	<u>\$ 31,051</u>

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## Help Lesotho

### Statement of Changes in Net Assets

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For the year ended June 30,

	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
	<b>\$ 861,463</b>	<b>\$ -</b>	<b>\$ 142,143</b>	<b>\$ 1,003,606</b>

  

	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
	<b>\$ 830,412</b>	<b>\$ -</b>	<b>\$ 31,051</b>	<b>\$ 861,463</b>

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## Help Lesotho

### Statement of Financial Position

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June 30,	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 367,216	\$ 233,770
Short-term investment (note 5)	307,245	207,439
Accounts receivable (note 6)	25,449	15,281
Inventory	13,124	6,635
Prepaid expenses	7,695	10,011
<b>Total Current</b>	<b>720,729</b>	<b>473,136</b>
<b>Long-term investment (note 5)</b>	<b>480,560</b>	<b>435,727</b>
<b>Capital assets (note 7)</b>	<b>571,332</b>	<b>633,972</b>
	<b>\$ 1,772,621</b>	<b>\$ 1,542,835</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 29,025	\$ 40,513
Deferred contributions (note 8)	222,021	70,687
Current portion of deferred contributions relating to capital assets (note 9)	46,754	46,754
<b>Total Current</b>	<b>297,800</b>	<b>157,954</b>
<b>Deferred contributions relating to capital assets (note 9)</b>	<b>471,215</b>	<b>523,418</b>
	<b>769,015</b>	<b>681,372</b>
<b>Net Assets</b>		
<b>Unrestricted</b>	<b>318,643</b>	<b>176,500</b>
<b>Reserve Funds (note 10)</b>	<b>684,963</b>	<b>684,963</b>
	<b>1,003,606</b>	<b>861,463</b>
	<b>\$ 1,772,621</b>	<b>\$ 1,542,835</b>

Approved by the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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## Help Lesotho

### Statement of Cash Flows

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For the year ended June 30,	2019	2018
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 142,143	\$ 31,051
Items not affecting cash		
Amortization of capital assets	1,595	1,228
Amortization of deferred contributions relating to capital assets	(52,203)	(52,203)
Amortization allocated in program expenses	66,763	65,829
Gain on disposal of marketable securities	936	(14,426)
Donation of equity investments	(96,074)	(103,661)
Unrealized gain on long-term investment	-	834
	<u>63,160</u>	<u>(71,348)</u>
Change in non-cash working capital items		
Short-term investment	(99,806)	91,170
Accounts receivable	(10,168)	7,260
Inventory	(6,489)	7,623
Prepaid expenses	2,316	2,621
Accounts payable and accrued liabilities	(11,488)	(18,554)
Deferred contributions	151,334	(1,035)
	<u>88,859</u>	<u>17,737</u>
<b>Investing activities</b>		
Purchase of investments	(49,589)	(361,810)
Proceeds on sale of investments	99,894	429,642
Purchase of capital assets	(5,718)	(17,809)
	<u>44,587</u>	<u>50,023</u>
<b>Increase in cash and cash equivalents</b>	<b>133,446</b>	<b>67,760</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>233,770</b>	<b>166,010</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 367,216</b>	<b>\$ 233,770</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 367,215	\$ 233,731
Investment savings account	1	39
	<u>\$ 367,216</u>	<u>\$ 233,770</u>

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 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 music program. 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'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.

**Notes to the Financial Statements**

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**For the year ended June 30, 2019**

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**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 the 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.

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 3. Contributions by major source

	<u>2019</u>	<u>2018</u>
International development organizations	\$ 262,910	\$ 51,079
Individuals	710,784	776,321
Foundations	309,022	319,838
Other not-for-profit organizations	88,076	109,063
Corporate	17,582	64,739
	<u>\$ 1,388,374</u>	<u>\$ 1,321,040</u>

#### 4. Product sales, net

	<u>2019</u>	<u>2018</u>
Product sales	\$ 79,240	\$ 64,709
Cost of sales	<u>(37,187)</u>	<u>(16,628)</u>
	<u>\$ 42,053</u>	<u>\$ 48,081</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>2019</u>	<u>2018</u>
Accounts receivable	\$ 25,159	\$ 14,879
Sales tax	290	402
	<u>\$ 25,449</u>	<u>\$ 15,281</u>

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 7. Capital assets

	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>
	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>

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 8. Deferred contributions

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2018 Balance end of year
Programs	\$ 55,007	\$ 943,544	\$ (781,815)	\$ 216,736
Other	15,680	4,525	(15,680)	4,525
	<u>\$ 70,687</u>	<u>\$ 948,069</u>	<u>\$ (797,495)</u>	<u>\$ 221,261</u>

  

	Balance beginning of year	Restricted donations and grants	Recognized as revenue	June 30, 2017 Balance end of year
Programs	\$ 68,072	\$ 607,862	\$ (620,927)	\$ 55,007
Other	3,650	15,680	(3,650)	15,680
	<u>\$ 71,722</u>	<u>\$ 623,542</u>	<u>\$ (624,577)</u>	<u>\$ 70,687</u>

#### 9. 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	\$ 34,632	\$ -	\$ (3,477)	\$ 31,155
Hlotse Centre	528,412	-	(45,875)	482,537
Vehicle	7,128	-	(2,851)	4,277
	<u>570,172</u>	<u>-</u>	<u>(52,203)</u>	<u>517,969</u>
Less current portion	<u>(46,754)</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>
	<u>\$ 523,418</u>	<u>\$ -</u>	<u>\$ (52,203)</u>	<u>\$ 471,215</u>

  

	Balance beginning of year	Contributions received	Amortization of deferred contributions	June 30, 2017 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>

#### 10. Reserve funds

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 10. Reserve funds (continued)

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 (2018 - \$Nil).

#### 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 \$96,074 (2018 - \$103,661); \$91,732 of which is recorded in unrestricted donations (2018 - \$99,363); and \$4,242 of which is recorded in restricted donations (2018 - \$4,297). The contributions in both years consisted of marketable securities.

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## Help Lesotho

### Notes to the Financial Statements

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For the year ended June 30, 2019

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#### 12. 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, 2019, the following foreign currency balance was included in the financial statements:

	South African Rand	Canadian dollars
Cash and cash equivalents	<u>3,028,970</u>	<u>280,786</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, market risk or liquidity risk.

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**Help Lesotho****Schedule to the Financial Statements**

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**Schedule of administrative expenses****Schedule 1**

	<u>2019</u>	<u>2018</u>
Payroll and benefits	\$ 61,802	\$ 92,936
Fundraising	29,292	36,529
Professional fees	9,836	9,649
Office supplies and expenses	8,694	15,925
Bank charges	8,207	6,869
Communications	5,308	4,117
Travel	3,035	3,963
Amortization	1,595	1,228
Total administrative expenses	<u>\$ 127,769</u>	<u>\$ 171,216</u>