

**AUNT LEAH'S FOUNDATION**

FINANCIAL STATEMENTS

March 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Aunt Leah's Foundation

#### *Qualified Opinion*

We have audited the accompanying financial statements of Aunt Leah's Foundation ("the Foundation"), which comprise the statement of financial position as at March 31, 2022, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### *Basis for qualified opinion*

As discussed in Note 2, the Foundation amortizes its property included in the Housing Fund at a rate equal to the annual principal reduction of the related mortgages under agreements with the British Columbia Housing Management Commission which constitutes a departure from ASNPO. Based on a straight-line method over the terms of the underlying land leases, amortization should be increased and excess of revenues over expenditures should be decreased for the current year by \$157,983 (2021 - \$157,883), and capital asset fund balance should be decreased by \$157,983 (2021 - \$150,883).

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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation 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.

### *Report on Other Legal and Regulatory Requirements*

As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Galloway Battelle & Company*

Chartered Professional Accountants  
Vancouver, BC  
June 27, 2022

# AUNT LEAH'S FOUNDATION

## STATEMENT OF FINANCIAL POSITION

As at March 31, 2022

	General Fund	Housing Fund	Capital Asset Fund	Replacement Reserve	2022	2021
<b>ASSETS</b>						
<b>Current</b>						
Cash	\$ 17,338	\$ -	\$ 155,907	\$ 72,298	\$ 245,545	\$ 238,216
Accounts receivable	4,559	-	254,879	-	259,438	8,111
Prepaid expenses	15,675	10,946	14,107	-	40,728	20,217
Accrued rent receivable (Note 2e)	-	-	-	-	-	8,400
	37,572	10,946	424,893	72,298	545,711	274,944
<b>Tangible capital assets</b>	-	-	7,275,322	-	7,275,320	7,033,544
	\$ 37,572	\$ 10,946	\$ 7,700,215	\$ 72,298	\$ 7,821,031	\$ 7,308,488
<b>LIABILITIES</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	\$ 25,684	\$ 25,884	\$ -	\$ -	\$ 51,568	\$ 42,154
Deposits	-	4,848	-	-	4,848	4,648
Current portion of long-term debt (Note 5)	-	-	32,165	-	32,165	494,711
	25,684	30,732	32,165	-	88,581	541,513
<b>Long-term debt</b>	-	-	911,806	-	911,806	481,953
<b>BC Housing forgivable loans (Note 6)</b>	-	-	5,125,151	-	5,125,151	5,125,151
	25,684	30,732	6,069,122	-	6,125,538	6,148,617
<b>FUND BALANCES</b>						
<b>Balance</b>	11,888	(19,786)	1,631,093	72,298	1,695,493	1,159,871
	\$ 37,572	\$ 10,946	\$ 7,700,215	\$ 72,298	\$ 7,821,031	\$ 7,308,488

See accompanying notes to the financial statements

Approved on behalf of the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# AUNT LEAH'S FOUNDATION

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended March 31, 2022

	General Fund	Housing Fund	Capital Asset Fund	Replacement Reserve	2022	2021
<b>Revenue</b>						
Donations and bequests	\$ 20,628	\$ -	\$ 266,000	\$ -	\$ 286,628	\$ 95,053
Grants and other	499	-	315,000	-	315,499	-
Interest income	-	-	4	37	39	82
Rental	42,000	149,939	-	-	191,939	228,112
	<u>63,127</u>	<u>149,939</u>	<u>581,004</u>	<u>37</u>	<u>794,105</u>	<u>323,247</u>
<b>Expenses</b>						
Accounting	2,967	-	-	-	2,967	2,379
Amortization	-	-	13,666	-	13,666	14,576
Consulting fees	1,889	-	-	-	1,889	5,708
Insurance	10,144	11,348	-	-	21,492	23,574
Management fees	10,020	8,658	-	-	18,678	44,001
Mortgage interest	12,785	-	-	-	12,785	21,359
Office	3,222	-	-	-	3,221	13,147
Professional services	15,671	-	-	-	15,671	15,544
Property taxes	3,750	4,051	-	-	7,801	12,366
Rent	15,864	-	-	-	15,864	3,400
Repairs and maintenance	8,085	61,439	-	8,128	77,652	89,269
Wages and benefits	49,050	-	-	-	49,050	16,583
	<u>133,447</u>	<u>85,496</u>	<u>13,666</u>	<u>8,128</u>	<u>240,736</u>	<u>261,906</u>
<b>Other expenses</b>						
Loss on disposal of capital assets	-	-	17,747	-	17,747	-
<b>Excess (deficiency) of revenues over expenditures</b>						
	(70,320)	64,443	549,591	(8,091)	535,622	61,341
Balance, beginning of year	10,144	(3,781)	1,090,290	63,218	1,159,871	1,098,530
Interfund transfers	72,064	(80,448)	(8,788)	17,171	-	-
Balance, end of year	\$ 11,888	\$ (19,786)	\$ 1,631,093	\$ 72,298	\$ 1,695,493	\$ 1,159,871

See accompanying notes to the financial statements

# AUNT LEAH'S FOUNDATION

STATEMENT OF CASH FLOWS  
For the year ended March 31, 2022

	2022	2021
Operating activities		
Excess of revenues over expenditures	\$ 535,622	\$ 61,341
Adjustments for		
Amortization	13,666	14,576
Loss on disposal of capital assets	17,747	-
	567,035	75,917
Change in non-cash working capital items		
Accounts receivable	(251,328)	11,943
Prepaid expenses	(20,510)	(8,839)
Accrued rent receivable (note 2e)	8,400	8,400
Accounts payable and accrued liabilities	9,414	5,231
Deposits	200	(80)
	313,211	92,572
Investing activities		
Acquisition of capital assets	(273,189)	(28,886)
Financing activities		
Loan advance	-	500,000
Loan repayments	(32,693)	(324,184)
	(32,693)	175,816
Increase in cash	7,329	239,502
Cash (bank indebtedness), beginning of year	238,216	(1,286)
Cash, end of year	\$ 245,545	\$ 238,216

See accompanying notes to the financial statements

# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 1. Nature of operations

Aunt Leah's Foundation (the "Foundation") is a not-for-profit organization dedicated to preventing children in foster care from becoming homeless and mothers in need from losing custody of their children. The Foundation solicits funds, gifts and property for the purpose of providing low-cost housing for those in need and supporting other registered charities and qualified donees with similar principles.

The Foundation was incorporated under the Society Act of British Columbia on October 2, 2013 and is a registered Canadian charity. As such, the Foundation is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

### 2. Significant accounting policies

The Foundation follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

#### (a) Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting following the restricted fund method of accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board").

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in net assets.

#### (i) General Fund

The General Fund is unrestricted and accounts for the Foundation's general fundraising, rental and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

#### (ii) Housing Fund

The Housing Fund reports restricted operating grants, revenue and expenses related to the Foundation's housing activities under agreement with British Columbia Housing Management Commission.

#### (iii) Capital Asset Fund

The Capital Asset Fund reports the assets, liabilities, revenue and expenses related to the Foundation's capital assets.

#### (iv) Replacement Reserve Fund

The Replacement Reserve Fund reports the assets, liabilities, revenues and expenses related to capital asset replacements. Reserves are funded at least annually. The reserve and accumulated interest are held in a separate bank account. Inter-fund transfers are made for periodic allocation to the Replacement Reserve Fund.



# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 2. Significant accounting policies, continued

#### (b) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions received from BC Housing for the replacement reserve fund are reported as interfund transfers from the Housing Fund to the Replacement Reserve Fund.

Contributions received from BC Housing for the acquisition of capital assets are recognized as revenue in the Capital Fund.

Donations and gifts are recognized upon receipt.

Interest income is recognized as revenue when earned.

Rental revenue is recognized on a monthly basis in accordance with the rental agreements.

#### (c) 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. Actual results could differ from those estimates.

#### (d) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

#### (e)

Accrued rent receivable arises from rent-free periods provided to a tenant and is amortized on a straight-line basis over the term of the lease. Amortized amounts are recorded as a reduction to rental income.

# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 2. Significant accounting policies, continued

#### (f) Capital assets

Capital assets are recorded at cost. The Foundation provides for amortization of capital assets not mortgaged by British Columbia Housing Management Commission using the straight line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rate is as follows:

Buildings	25-35 years straight-line
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The Foundation provides for amortization of capital assets mortgaged by British Columbia Housing Management Commission corresponding to the principal portion of mortgage payments. The Foundation also capitalizes interest costs during the development of buildings.

Capital assets other than those mortgaged by British Columbia Housing Management Commission are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

#### (g) Contributed services

Directors and committee members volunteer their time to assist in the Foundation's activities. While these services benefit the corporation considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

#### (h) Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The Foundation initially measures all of its financial instruments at fair value and subsequently at amortized cost using the effective interest rate method. Changes in fair value are recognized in the statement of operations. Unless otherwise noted it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks.

### 3. Cash and bank indebtedness

The Foundation has an operating line of credit to a maximum of \$200,000 through Vancouver City Savings Credit Union at the bank's prime lending rate plus 0.60% per annum and secured by a first charge over the Boyne St. property and assignment of rents.

# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 4. Tangible capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
<hr/>				
Boundary Road				
Land	\$ 1,112,460	\$ -	\$ 1,112,460	\$ 1,112,460
Building	-	-	-	47,919
Building under development	303,361	-	303,361	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,415,821	-	1,415,821	1,160,379
Boyne Street				
Land	487,575	-	487,575	487,575
Building	326,940	76,091	250,849	264,514
	<hr/>	<hr/>	<hr/>	<hr/>
	814,515	76,091	738,424	752,089
Royal Ave				
Land	536,902	-	536,902	536,902
Building	2,393,140	-	2,393,140	2,393,140
	<hr/>	<hr/>	<hr/>	<hr/>
	2,930,042	-	2,930,042	2,930,042
8th Avenue				
Land	993,817	-	993,817	993,817
Building	1,197,218	-	1,197,218	1,197,218
	<hr/>	<hr/>	<hr/>	<hr/>
	2,191,035	-	2,191,035	2,191,035
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 7,351,413	\$ 76,091	\$ 7,275,322	\$ 7,033,545

Building under development at the Boundary Road property includes \$10,254 of capitalized interest cost.

# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 5. Long-term debt

	2022	2021
The Vancouver City Savings Credit Union Mortgage repayable in monthly instalments of \$2,142 including interest at 2.10% per annum over term of 5 years due January 14, 2026, secured by a first charge over the Boundary Road property and assignment of rents.	\$ 481,954	\$ 497,404
The Vancouver City Savings Credit Union Mortgage repayable in monthly instalments of \$2,488 including interest at 3.44% per annum over term of 5 years due March 10, 2027, secured by a first charge over the Boyne St. property and assignment of rents.	462,017	479,260
Less current portion	(32,165)	(494,711)
	\$ 911,806	\$ 481,953

Principal repayments are as follows:

2023	\$ 32,165
2024	33,067
2025	33,995
2026	451,773
2027	392,971
	\$ 943,971

### 6. BC Housing forgivable loans

In April 2017, the Foundation entered into an agreement with British Columbia Housing Management Commission ("BCHMC") where the BCHMC agreed to contribute a maximum funding of \$2,944,943, of which \$2,928,411 was advanced as of March 31, 2022, for the purchase and renovation of a property on Royal Avenue, New Westminster, BC. The loan is forgivable over a period of 25 years, commencing in the 11th year, provided that the Foundation meets certain conditions specified in the agreement.

In June 2017, the Foundation entered into an agreement with BCHMC where BCHMC agreed to contribute a maximum funding of \$2,320,186, of which \$2,196,740 was advanced as of March 31, 2022, for the purchase and renovation of a property located on 8th Avenue in New Westminster, BC. The loan is forgivable over a period of 10 years, commencing in the 11th year, provided that the Foundation meets certain conditions specified in the agreement.

# AUNT LEAH'S FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

### 7. Loan agreement

The Foundation entered into an agreement with David Helliwell to borrow up to \$250,000 for the construction of the Boundary Road property. The loan is interest free if the balance is repaid in full by September 30, 2023. If the loan is not repaid in full by September 30, 2023, the outstanding balance is repayable at an interest rate of 5% per annum.

On March 31, 2022, there was nil balance (2021 - nil) outstanding on the above mentioned loan.

### 8. Financial risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

#### (a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Foundation is a going concern and thus expects to fully repay the outstanding amounts.

#### (b) Liquidity risk

The Foundation does have a liquidity risk in accounts payable and accrued liabilities of \$51,568 (2021 - \$42,154). Liquidity risk is the risk that the Foundation cannot repay its obligations when they become due to its creditors. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Foundation is low and is not material.

#### (c) Interest rate risk

The Foundation is exposed to interest rate risk. Interest rate risk is the risk that the Foundation has interest rate exposure on its bank indebtedness, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The Foundation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates, or zero interest rates and do not affect interest rate risk. The Foundation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the Foundation is low and is not material.

# AUNT LEAH'S FOUNDATION

## SCHEDULE 1

March 31, 2022

	Boundary Rd (General)	Boyne St (General)	Royal Ave (Housing)	8th Ave (Housing)	Total
Rental	\$ -	\$ 42,000	\$ 100,739	\$ 49,200	\$ <b>191,939</b>
Expenses					
Insurance	-	5,216	6,412	4,936	<b>16,564</b>
Interest	-	12,785	-	-	<b>12,785</b>
Management fees	-	630	7,958	700	<b>9,288</b>
Property taxes	-	3,750	4,051	-	<b>7,801</b>
Repairs and maintenance	-	5,672	32,342	9,944	<b>47,958</b>
Utilities	-	2,413	15,239	3,914	<b>21,566</b>
	-	30,466	66,002	19,494	<b>115,962</b>
Excess of revenues over expenditures	\$ -	\$ 11,534	\$ 34,737	\$ 29,706	\$ <b>75,977</b>

*See accompanying notes to the financial statements*