

AUNT LEAH'S FOUNDATION

FINANCIAL STATEMENTS

March 31, 2020

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INDEPENDENT AUDITORS' REPORT

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, 2020, 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, 2020, 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 \$150,866 (2019 - \$143,949), and capital asset fund balance should be decreased by \$150,866 (2019 - 143,949).

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 30, 2020

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AUNT LEAH'S FOUNDATION


STATEMENT OF FINANCIAL POSITION


As at March 31, 2020

	General Fund	Housing Fund	Capital Asset Fund	Replacement Reserve	2020	2019
ASSETS						
Current						
Cash	\$ -	\$ -	\$ -	\$ 77,497	\$ 77,497	\$ 77,419
Accounts receivable	15,706	4,253	-	-	19,959	93,156
Prepaid expenses	8,483	2,895	-	-	11,378	15,339
	24,189	7,148	-	77,497	108,834	185,914
Accrued rent receivable (Note 2e)	-	16,800	-	-	16,800	25,200
Tangible capital assets (Note 4)	-	-	7,019,330	-	7,019,330	6,803,972
	\$ 24,189	\$ 23,948	\$ 7,019,330	\$ 77,497	\$ 7,144,964	\$ 7,015,086
LIABILITIES						
Current						
Bank indebtedness (Note 3)	\$ 78,783	\$ -	\$ -	\$ -	\$ 78,783	\$ 165,390
Accounts payable and accrued liabilities	32,559	4,366	-	-	36,925	46,272
Deposits	-	4,728	-	-	4,728	4,703
Current portion of long-term debt (Note 5)	-	-	321,560	-	321,560	27,252
	111,342	9,094	321,560	-	441,996	243,617
Long-term debt (Note 5)	-	-	479,287	-	479,287	800,797
BC Housing forgivable loans (Note 6)	-	-	5,125,151	-	5,125,151	4,910,515
	111,342	9,094	5,925,998	-	6,046,434	5,954,929
FUND BALANCES						
Balance	(87,153)	14,854	1,093,332	77,497	1,098,530	1,060,157
	\$ 24,189	\$ 23,948	\$ 7,019,330	\$ 77,497	\$ 7,144,964	\$ 7,015,086

See accompanying notes to the financial statements

Approved on behalf of the board:

DocuSigned by:

 5065A77C6489493... Director

DocuSigned by:

 FF959C92A7F5411... Director

AUNT LEAH'S FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended March 31, 2020

	General Fund	Housing Fund	Capital Asset Fund	Replacement Reserve	2020	2019
Revenue						
Donations and bequests	\$ 26,689	\$ -	\$ 56,510	\$ -	\$ 83,199	\$ 30,352
Grants and gifts	-	-	-	-	-	11,025
Interest income	-	-	-	479	479	326
Rental	86,618	148,492	-	-	235,110	219,416
	113,307	148,492	56,510	479	318,788	261,119
Expenses						
Accounting	3,965	-	-	-	3,965	7,968
Amortization	-	-	12,127	-	12,127	11,637
Insurance	11,861	9,000	-	-	20,861	21,254
Management fees	59,478	25,427	-	-	84,905	46,800
Mortgage interest	21,813	-	-	-	21,813	22,540
Office	27,576	-	-	-	27,576	22,285
Professional services	16,088	-	-	-	16,088	16,310
Property taxes	8,510	4,304	-	-	12,814	15,677
Rent	6,046	-	-	-	6,046	6,600
Repairs and maintenance	11,904	39,760	-	22,556	74,220	80,583
	167,241	78,491	12,127	22,556	280,415	251,654
Excess (deficiency) of revenues over expenditures						
	(53,934)	70,001	44,383	(22,077)	38,373	9,465
Balance, beginning of year	(189,306)	106,636	1,087,408	55,419	1,060,157	1,050,692
Interfund transfers	156,087	(161,783)	(38,459)	44,155	-	-
Balance, end of year	\$ (87,153)	\$ 14,854	\$ 1,093,332	\$ 77,497	\$ 1,098,530	\$ 1,060,157

See accompanying notes to the financial statements

AUNT LEAH'S FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended March 31, 2020

	2020	2019
Operating activities		
Excess of revenues over expenditures	\$ 38,374	\$ 9,465
Adjustments for		
Amortization	12,127	11,637
	50,501	21,102
Change in non-cash working capital items		
Accounts receivable	73,197	70,897
Prepaid expenses	3,961	(4,043)
Accounts payable and accrued liabilities	(9,348)	15,527
Deposits	25	(42)
Accrued rent receivable	8,400	8,400
	126,736	111,841
Investing activities		
Acquisition of capital assets	(227,484)	(165,554)
Financing activities		
Loan repayments	(27,202)	(26,531)
Loan advance from BC Housing	214,635	-
	187,433	(26,531)
Increase (decrease) in cash	86,685	(80,244)
Bank indebtedness, beginning of year	(87,971)	(7,727)
Bank indebtedness, end of year	\$ (1,286)	\$ (87,971)
Cash consists of:		
Cash	\$ 77,497	\$ 77,419
Bank indebtedness	(78,783)	(165,390)
	\$ (1,286)	\$ (87,971)

See accompanying notes to the financial statements

AUNT LEAH'S FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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 financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) except for specific policies as outlined by BC Housing, which require that properties are amortized at a rate equal to the annual principal reduction of the related mortgages. In this respect these financial statements are not, and are not intended to be, in accordance with ASNPO.

(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.

AUNT LEAH'S FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

2. Significant accounting policies, continued

(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.

(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

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, 2020

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.

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, bank indebtedness, 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, 2020

4. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Boundary Road				
Land	\$ 1,112,460	\$ -	\$ 1,112,460	\$ 1,112,460
Building	27,536	4,095	23,441	19,567
	1,139,996	4,095	1,135,901	1,132,027
Boyne Street				
Land	487,575	-	487,575	487,575
Building	326,940	48,760	278,180	230,623
	814,515	48,760	765,755	718,198
Royal Avenue				
Land	536,902	-	536,902	536,902
Building	2,389,737	-	2,389,737	2,389,737
	2,926,639	-	2,926,639	2,926,639
8th Avenue				
Land	993,817	-	993,817	993,817
Building	1,197,218	-	1,197,218	1,033,291
	2,191,035	-	2,191,035	2,027,108
	\$ 7,072,185	\$ 52,855	\$ 7,019,330	\$ 6,803,972

5. Long-term debt

	2020	2019
The Vancouver City Savings Credit Union		
Mortgage repayable in monthly instalments of \$1,601 including interest at 2.69% per annum over term of 5 years due November 30, 2020, secured by a first charge over the Boundary Road property and assignment of rents.	\$ 304,769	\$ 315,654
The Vancouver City Savings Credit Union		
Mortgage repayable in monthly instalments of \$2,488 including interest at 2.69% per annum over term of 5 years due March 10, 2022, secured by a first charge over the Boyne St. property and assignment of rents.	496,078	512,395
Less current portion	(321,560)	(27,252)
	\$ 479,287	\$ 800,797

Principal repayments are as follows:

2021	\$ 321,560
2022	479,287
	\$ 800,847

AUNT LEAH'S FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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, 2020, 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, 2020, 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.

7. 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 the bank indebtedness and accounts payable of \$115,707 (2019 - \$211,667). 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, 2020

	Boundary Rd (General)	Boyne St (General)	Royal Ave (Housing)	8th Ave (Housing)	Total
Rental	\$ 44,618	\$ 42,000	\$ 108,392	\$ 40,100	\$ 235,110
Expenses					
Insurance	3,721	4,183	5,305	3,694	16,903
Interest	8,329	13,484	-	-	21,813
Management fees	1,200	1,200	13,851	11,576	27,827
Property taxes	5,177	3,333	4,236	-	12,746
Repairs and maintenance	5,303	3,420	19,373	6,250	34,346
Utilities	979	352	14,137	67	15,535
	24,709	25,972	56,902	21,587	129,170
Excess of revenues over expenditures	\$ 19,909	\$ 16,028	\$ 51,490	\$ 18,513	\$ 105,940

See accompanying notes to the financial statements