

**STELLA'S CIRCLE FOUNDATION INC.**

**Financial Statements**

**Year Ended March 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Stella's Circle Foundation Inc.

### *Qualified Opinion*

I have audited the financial statements of Stella's Circle Foundation Inc. (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, 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.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 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 not-for-profit organizations, the Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. My audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit 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 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

St. John's, NL  
June 7, 2019



Brian T. Scammell Professional Corporation  
Chartered Professional Accountant


STELLA'S CIRCLE FOUNDATION INC.

Statement of Financial Position

March 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 453,491	\$ 409,482
Marketable securities, stated at market value	37,817	26,016
Accounts receivable	5,835	38,598
Due from related parties (Note 4)	36,667	-
	<b>\$ 533,810</b>	<b>\$ 474,096</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 2,618	\$ 2,641
Due to Stella's Circle Community Services Inc. (Note 4)	-	146,832
Deferred revenue (Note 5)	496,186	291,200
	<b>498,804</b>	<b>440,673</b>
<b>NET ASSETS</b>	<b>35,006</b>	<b>33,423</b>
	<b>\$ 533,810</b>	<b>\$ 474,096</b>

ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**STELLA'S CIRCLE FOUNDATION INC.**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Donations	\$ 412,218	\$ 472,611
Special events	18,421	14,829
Interest from other sources	2,329	1,152
	<b>432,968</b>	<b>488,592</b>
<b>EXPENDITURES</b>		
Funds allocated to Stella's Circle programs	412,864	466,997
Fundraising	9,447	13,694
Interest charges and fees	3,316	3,583
Audit fees	2,800	2,800
Dues and subscriptions	1,161	1,769
Advertising and promotion	722	68
Board and committee	582	413
Office supplies	493	-
	<b>431,385</b>	<b>489,324</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,583</b>	<b>\$ (732)</b>

**STELLA'S CIRCLE FOUNDATION INC.**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2019**

	<b>Total 2019</b>	<b>Total 2018</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 33,423</b>	<b>\$ 34,155</b>
Excess of revenues over expenditures	<b>1,583</b>	<b>(732)</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 35,006</b>	<b>\$ 33,423</b>

STELLA'S CIRCLE FOUNDATION INC.

Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	\$ 1,583	\$ (732)
Changes in non-cash working capital:		
Accounts receivable	32,763	(28,343)
Accounts payable	(23)	(2,848)
Prepaid expenses	-	607
Deferred revenue	204,986	153,707
	237,726	123,123
Cash flow from operating activities	239,309	122,391
<b>INVESTING ACTIVITY</b>		
Marketable securities	(11,801)	(1,153)
Cash flow used by investing activity	(11,801)	(1,153)
<b>FINANCING ACTIVITY</b>		
Advances from related parties	(183,499)	188,556
Cash flow from (used by) financing activity	(183,499)	188,556
<b>INCREASE IN CASH FLOW</b>	<b>44,009</b>	<b>309,794</b>
Cash - beginning of year	409,482	99,688
<b>CASH - END OF YEAR</b>	<b>\$ 453,491</b>	<b>\$ 409,482</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ (2,329)	\$ (1,152)
Interest paid	\$ 3,316	\$ 3,583

**STELLA'S CIRCLE FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2019**

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**1. NATURE OF OPERATIONS**

Stella Burry Foundation Inc. (the "Foundation") was established to attract and secure gifted revenue in the form of donations, sponsorships as well as funds raised through special events that would be used to further the goals and objectives of Stella Burry Community Services Inc., namely to provide support and counseling to individuals who have experienced significant personal problems that contribute to poverty and marginalization; to develop and provide safe, clean, affordable housing for low income singles and families; and to provide opportunities for training and skills development that would enable each individual to improve his or her economic prospects within the community. The Foundation is also responsible for activities that generate awareness and support for the work of Stella Burry Community Services in such a manner that individuals and corporations and other entities will support its mission through gifts of personal or real property as well as legacies, bequests or any other form of offering.

The Foundation is incorporated under the Corporations Act of Newfoundland and is a registered charity within the meaning of the Income Tax Act (Canada).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

*Cash and cash equivalents*

The Foundation's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

*Financial instruments policy*

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

*Capital assets*

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer hardware	20%	declining balance method
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The Foundation regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2019

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Revenue recognition*

Stella's Circle Foundation Inc. 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.

*Contributed services*

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

*Measurement uncertainty*

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer hardware	\$ 2,598	\$ 2,598	\$ -	\$ -

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**STELLA'S CIRCLE FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2019**

**4. RELATED PARTIES**

	<b>2019</b>	<b>2018</b>
<b><u>Related party transactions</u></b>		
<b>Stella's Circle Community Services Inc. ("SCCS")</b>		
<i>Entity which receives donations and other fundraising revenue raised by Stella's Circle Foundation Inc. ("SCF")</i>		
Payments made to Stella's Circle Community Services Inc. ("SCCS")	\$ 158,385	\$ 161,221
Funding received by Foundation designated for SCCS	(98,175)	(232,556)
Expenses of SCF paid by SCCS	(32,027)	(27,923)
Deferred capital contributions for SCCS to be paid by SCF	(195,513)	(209,047)
	<b>\$ (167,330)</b>	<b>\$ (308,305)</b>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Due to related parties**

	<b>2019</b>	<b>2018</b>
Current portion due from related party		
Due from Stella's Circle Community Services Inc.	\$ 36,667	\$ -
Due to Stella's Circle Community Services Inc.		
Due to Stella's Circle Community Services Inc.	\$ -	\$ 146,832

This balance is non-interest bearing with no set terms of repayment.

**5. DEFERRED REVENUE**

Deferred revenue relates to restricted funding in the current period that is for future expenditures, the details of which are noted below:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 291,200	\$ 137,493
Less: Amount recognized to revenue in the year	(123,203)	(192,599)
Add: Amount received related to the following year	328,189	346,306
Balance, end of year	<b>\$ 496,186</b>	<b>\$ 291,200</b>

**6. FINANCIAL INSTRUMENTS**

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2019.

***Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. Credit risk may arise principally from the recording of revenue from funding sources and from the recording of revenue from investments included in the Foundation's asset portfolio, which is not collected.

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**STELLA'S CIRCLE FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2019**

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**6. FINANCIAL INSTRUMENTS *(continued)***

Given the nature of its activities including its investment practices, the Foundation does not have material exposure to credit risk.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Given the nature of its activities, the Foundation does not have material exposure to liquidity risk.

***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Given the nature of its activities, the Foundation does not have material exposure to market risk.