

STELLA'S CIRCLE FOUNDATION INC.

Financial Statements

Year Ended March 31, 2020

STELLA'S CIRCLE FOUNDATION INC.

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 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.

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, 2020, current assets and net assets as at March 31, 2020. My audit opinion on the financial statements for the year ended March 31, 2019 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
August 13, 2020


Brian T. Scammell Professional Corporation
Chartered Professional Accountant

STELLA'S CIRCLE FOUNDATION INC.

Statement of Financial Position

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 1,059,827	\$ 453,491
Marketable securities, stated at market value	9,337	37,817
Accounts receivable	1,163	5,835
Due from related parties (Note 4)	-	36,667
	\$ 1,070,327	\$ 533,810
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 2,570	\$ 2,618
Due to related parties (Note 4)	88,413	-
Deferred revenue (Note 5)	944,338	496,186
	1,035,321	498,804
NET ASSETS	35,006	35,006
	\$ 1,070,327	\$ 533,810

ON BEHALF OF THE BOARD

Director

Director

STELLA'S CIRCLE FOUNDATION INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2020

	2020	2019
REVENUES		
Donations	\$ 275,971	\$ 412,218
Interest from other sources	6,661	2,329
Special events	5,716	18,421
	288,348	432,968
EXPENDITURES		
Funds allocated to Stella's Circle programs	266,842	412,864
Fundraising	12,557	9,447
Interest charges and fees	3,725	3,316
Audit fees	2,800	2,800
Dues and subscriptions	1,764	1,161
Board and committee	633	582
Office supplies	27	493
Advertising and promotion	-	722
	288,348	431,385
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 1,583

STELLA'S CIRCLE FOUNDATION INC.

Statement of Changes in Net Assets

Year Ended March 31, 2020

	Total 2020		Total 2019
NET ASSETS - BEGINNING OF YEAR	\$ 35,006	\$	33,423
Excess of revenues over expenditures	-		1,583
NET ASSETS - END OF YEAR	\$ 35,006	\$	35,006

STELLA'S CIRCLE FOUNDATION INC.

Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ -	\$ 1,583
Changes in non-cash working capital:		
Accounts receivable	4,672	32,763
Accounts payable	(48)	(23)
Deferred revenue	448,152	204,986
	452,776	237,726
Cash flow from operating activities	452,776	239,309
INVESTING ACTIVITY		
Marketable securities	28,480	(11,801)
Cash flow from (used by) investing activity	28,480	(11,801)
FINANCING ACTIVITY		
Advances from related parties	125,080	(183,499)
Cash flow from (used by) financing activity	125,080	(183,499)
INCREASE IN CASH FLOW	606,336	44,009
Cash - beginning of year	453,491	409,482
CASH - END OF YEAR	\$ 1,059,827	\$ 453,491
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ (6,661)	\$ (2,329)
Interest paid	\$ 3,725	\$ 3,316

STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2020

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, 2020

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	2020 Net book value	2019 Net book value
Computer hardware	\$ 2,598	\$ 2,598	\$ -	\$ -

STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2020

4. RELATED PARTIES

	2020	2019
<u>Related party transactions</u>		
Stella's Circle Community Services Inc. ("SCCS")		
<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. (net)	\$ 165,000	\$ 158,385
SBCS expenses paid by SBF	(38,029)	-
Funding received by Foundation designated for SCCS	(157,583)	(98,175)
Expenses of SCF paid by SCCS	(10,633)	(32,027)
Deferred capital contributions for SCCS paid by SCF	(83,835)	(195,513)
	\$ (125,080)	\$ (167,330)

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

	2020	2019
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.	\$ 88,413	\$ -

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:

	2020	2019
Balance, beginning of year	\$ 496,186	\$ 291,200
Less: Amount recognized to revenue in the year	(197,732)	(123,203)
Add: Amount received	645,884	328,189
Balance, end of year	\$ 944,338	\$ 496,186

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, 2020.

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STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2020

6. FINANCIAL INSTRUMENTS *(continued)*

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.

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.

7. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, the Foundation is unable to estimate the potential impact on operations as at the date of these financial statements.