

STELLA'S CIRCLE FOUNDATION INC.

Financial Statements

Year Ended March 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2021, and the statements of revenues and expenditures and 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, 2021, 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, 2021, current assets and net assets as at March 31, 2021. My audit opinion on the financial statements for the year ended March 31, 2020 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
July 30, 2021



Brian T. Scammell Professional Corporation
Chartered Professional Accountant

STELLA'S CIRCLE FOUNDATION INC.

Statement of Financial Position

March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Restricted cash (Note 3)	\$ 2,111,216	\$ 1,069,164
Accounts receivable	1,000	1,163
	\$ 2,112,216	\$ 1,070,327
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 2,688	\$ 2,570
Deferred revenue (Note 4)	1,764,697	944,338
Due to related parties (Note 5)	309,825	88,413
	2,077,210	1,035,321
NET ASSETS	35,006	35,006
	\$ 2,112,216	\$ 1,070,327

ON BEHALF OF THE BOARD

Director

Director

STELLA'S CIRCLE FOUNDATION INC.
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended March 31, 2021

	2021	2020
REVENUES		
Donations	\$ 286,879	\$ 275,971
Interest from other sources	13,409	6,661
Special events	1,525	5,716
	301,813	288,348
EXPENDITURES		
Funds allocated to Stella's Circle programs	277,200	266,942
Fundraising	11,301	12,557
Interest charges and fees	7,478	3,625
Audit fees	2,966	2,800
Dues and subscriptions	1,806	1,764
Miscellaneous	484	-
Office supplies	440	27
Board and committee	138	633
	301,813	288,348
NET EXCESS OF REVENUES OVER EXPENDITURES	-	-
NET ASSETS - BEGINNING OF YEAR	35,006	35,006
NET ASSETS - END OF YEAR	\$ 35,006	\$ 35,006

STELLA'S CIRCLE FOUNDATION INC.

Statement of Cash Flows
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ -	\$ -
Changes in non-cash working capital:		
Accounts receivable	163	4,672
Accounts payable	118	(48)
Deferred revenue	820,359	448,152
	820,640	452,776
Cash flow from operating activities	820,640	452,776
FINANCING ACTIVITY		
Advances from related parties	221,412	125,080
Cash flow from financing activity	221,412	125,080
INCREASE IN CASH FLOW	1,042,052	577,856
Cash - beginning of year	1,069,164	453,491
CASH - END OF YEAR	\$ 2,111,216	\$ 1,031,347
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ (13,409)	\$ (6,661)
Interest paid	\$ 7,478	\$ 3,625
CASH CONSISTS OF:		
Restricted cash	\$ 2,111,216	\$ 1,069,164

STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2021

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	30%	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, 2021

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. RESTRICTED CASH

Cash of \$2,111,216 has been internally restricted for the following purposes:

	2021
<u>Section heading</u>	
Social Enterprise Funding	\$ 361,772
Women's Programming	314,016
Expressive Therapies	304,898
Housing Review	88,079
Memorial Funds	76,025
Horticultural Therapy	49,095
Other Externally Restricted Funds	86,709
Total Externally Restricted Funds	1,280,594
Internally Restricted Funds	830,622
Total Restricted Cash	\$ 2,111,216

STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2021

4. DEFERRED REVENUE

Deferred revenue relates to funding restricted for certain future expenditures, the details of which are noted below:

	2021	2020
Balance, beginning of year	\$ 944,338	\$ 496,186
Less: Amount recognized to revenue in the year	(52,033)	(197,732)
Add: Amount received	872,392	645,884
	<u>\$ 1,764,697</u>	<u>\$ 944,338</u>

5. RELATED PARTIES

	2021	2020
<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>		
Funding owing from SCCS	\$ 188,592	\$ 165,000
SCF expenses paid by SCCS	(9,328)	(38,029)
Funding designated by Foundation for SCCS	(400,676)	(252,051)
	<u>\$ (221,412)</u>	<u>\$ (125,080)</u>

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

	2021	2020
Due to Stella's Circle Community Services Inc.		
Due to Stella's Circle Community Services Inc.	\$ 309,825	\$ 88,413

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

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, 2021.

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.

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STELLA'S CIRCLE FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2021

6. FINANCIAL INSTRUMENTS (continued)

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. COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments have imposed measures to contain the outbreak, including business closures, travel restrictions, quarantines, and social distancing measures. The spread of the COVID-19 virus has resulted in a sharp decline in global economic growth as well as causing volatility in financial markets.

Stella's Circle Foundation Inc. continues to take measures to mitigate the effects of the current crisis. In the 2021 fiscal year, the Organization received \$302,951 in donations directly relating to COVID-19 to help with the financial impact of the pandemic, of which \$100,305 was recognized in income.

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.