

LOW ENTROPY FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2023

Auditors' Report

Statement of Financial Position

Statement of Changes in Net Assets

Statement of Operations

Statement of Cash Flows

Notes to Financial Statements

Kustner & Associates

Chartered Professional Accountants

1160 Douglas Rd #202, Burnaby BC V5C 4Z6
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Independent auditors' report

To the members,
Low Entropy Foundation
Coquitlam, BC

Qualified Opinion

We have audited the accompanying financial statements of Low Entropy, which comprise the statement of financial position as at March 31, 2023, and the statement of operations, statement of changes in net assets 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 and possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Low Entropy Foundation as at March 31, 2023, 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

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 Low Entropy 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 opinion.

The financial statements for the year ending March 31, 2022 were not reviewed or audited. Accordingly, we are unable to determine whether any adjustments might have been found necessary with respect to financial statements for the year ending March 31, 2022 which may have an impact on the year ending March 31, 2023. Our conclusion on the financial statements as at year ending March 31, 2023, was modified accordingly because of possible effect of this limitation of scope.

Independent auditor's report (continued)

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 Low Entropy 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 Low Entropy Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Low Entropy 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 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 are 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 Low Entropy Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent auditor's report (*continued*)

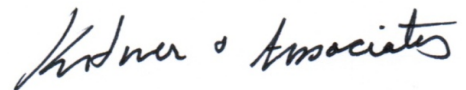
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Low Entropy Foundation's ability to continue as a going concern. 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 Low Entropy 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.

Other Matters

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

Burnaby, BC
November 12, 2023



Chartered Professional Accountants

LOW ENTROPY FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

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	<u>2023</u>	<u>Not audited or reviewed 2022</u>
ASSETS		
CURRENT ASSETS		
Cash	198,087	278,429
Accounts and funding receivable (Note 4)	58,719	-
GST refundable	899	296
Prepaid expenses and deposits (Note 5)	<u>14,261</u>	<u>154,000</u>
	271,966	432,725
EQUIPMENT (Note 6)	<u>11,772</u>	<u>345</u>
	<u>283,738</u>	<u>433,070</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts, payable and accrued	15,315	203,325
Government remittance payable	11,515	-
Deferred grant funds (Note 7 ii & iii)	97,042	223,920
Deferred restricted donations (Note 7 iv)	<u>11,875</u>	<u>-</u>
	135,747	427,245
NET ASSETS		
NET ASSETS	<u>147,991</u>	<u>5,825</u>
	<u>283,738</u>	<u>433,070</u>

ON BEHALF OF THE BOARD



CO-TREASURER



CO-TREASURER

LOW ENTROPY FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2023

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	2023	Not audited or reviewed 2022
REVENUE		
Donations (Note 8)	52,982	32,338
Federal Grants (Note 9)	97,373	50,000
Provincial Grants (Note 9)	1,362,516	99,720
Municipal Grants (Note 9)	-	15,000
Thrift Store	6,114	-
Other grants and income (Note 9)	135,763	29,120
	<u>1,654,748</u>	<u>226,178</u>
EXPENDITURES		
Amortization	3,902	377
Bank charges	648	165
Contractor costs	144,306	17,609
Director fees	35,946	22,080
Disposition of asset	6,471	-
Legal and accounting	23,651	1,155
Insurance	1,256	1,340
Membership and dues	1,024	90
Office expenses	19,134	10
Phone and internet	4,398	1,868
Program administration	4,575	6,045
Program delivery costs	63,084	12,995
Program manager	117,498	60,520
Rent	49,861	-
Training and education	25,116	3,615
Training providers (Note 10)	791,745	54,544
Travel	1,764	245
Wages and benefits	218,204	42,662
	<u>1,512,583</u>	<u>225,320</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>142,165</u>	<u>858</u>

LOW ENTROPY FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

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	<u>2023</u>	<u>Not audited or reviewed 2022</u>
NET ASSETS, BEGINNING	5,826	4,968
Excess revenues over expenditures	<u>142,165</u>	<u>858</u>
NET ASSETS, ENDING	<u><u>147,991</u></u>	<u><u>5,826</u></u>

LOW ENTROPY FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

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	2023	Not audited or reviewed 2022
OPERATING ACTIVITIES		
Excess of revenue over expenditures	142,165	858
ADD ITEM NOT AFFECTING CASH		
Amortization	<u>3,902</u>	<u>377</u>
	146,067	1,235
CHANGES IN NON-CASH WORKING CAPITAL		
Receivables	(58,719)	-
GST	(603)	(296)
Prepaid expenses	139,739	(154,000)
Accounts payable	(188,010)	202,260
Government remittance	11,515	-
Deferred grant	(126,878)	198,920
Deferred restricted donation	<u>11,875</u>	<u>-</u>
Cash (used for) provided by operating activities	<u>(65,014)</u>	<u>248,119</u>
CHANGES IN INVESTING ACTIVITIES		
Purchase of equipment	(33,122)	-
Proceeds on disposal of equipment	<u>17,794</u>	<u>-</u>
Cash used for investing activities	<u>(15,328)</u>	<u>-</u>
(DECREASE) INCREASE IN CASH	(80,342)	248,119
Cash, beginning	<u>278,429</u>	<u>30,310</u>
CASH, ENDING	<u><u>198,087</u></u>	<u><u>278,429</u></u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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DESCRIPTION OF ORGANIZATION

Low Entropy Foundation (LEF), a non-profit organization was incorporated on February 23, 2017, under BC Societies Act. LEF provides various programs for personal development to people.

1. ACCOUNTING POLICIES

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO) and, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

i. Accounting basis

The amounts shown in the financial statements have been prepared on the accrual basis of accounting.

ii. Equipment

Equipment is recorded at cost less accumulated amortization. When equipment no longer has any long-term service potential for the Society, it is written down to its residual value, if any. Amortization is provided over the assets' estimated useful life using the straight-line method at the following rates:

Furniture	- 20.0%
Computer equipment	- 33.3%
Equipment	- 33.3%

iii. Revenue recognition

The Society 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.

Grants are recognized as revenue for the fiscal period to which they apply.

Donations and thrift store receipts are recognized as income in the period in which they are earned.

**LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

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1. ACCOUNTING POLICIES *(continued)*

iv. Contributed services

Volunteers contribute a significant number of hours per year to assist the Foundation in carrying out its service delivery activities. Contributed services are not reflected in the financial statements.

v. Cash and cash equivalents

The Association considers all highly liquid financial instruments purchased with an original maturity of less than a year to be cash equivalents. Cash equivalents are recorded at cost, which approximates their market value.

vi. Expense Allocation

Common costs are allocated among the Society's program based on Management's determination of the time spent working on each program by the staff.

vi. 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 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.

2. OPERATIONS AND INCOME TAXES

The Society is registered pursuant to the Societies Act of British Columbia as a non-profit organization and is a registered charity under the Income Tax Act. The Society is exempt from income taxes.

3. PURPOSE OF THE SOCIETY

The purpose of Low Entropy Foundation is to make personal development accessible to all. In doing so, providing people with tools to change themselves and the world. The Foundation envisions a kinder, gentler, and more compassionate world – a loving humanity that supports and cares for one another.

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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4. ACCOUNTS RECEIVABLE

The society had the following receivables as at year end:

	<u>2023</u>	Not audited or reviewed 2022
Ministry of Social Development and Poverty Reduction	42,704	-
Gratnus Solution Inc.	9,531	-
Wage Subsidy Receivable	3,738	-
Prospera Credit Union	2,000	-
Aspira Retirement Living	500	-
Card Sales deposit	146	-
Progressive Intercultural Community Service Society	50	-
Tri Cities Community Action Team	50	-
	<u>58,719</u>	<u>-</u>

5. PREPAID EXPENSES AND DEPOSITS

The society had the following prepaid expenses as at year end:

	<u>2023</u>	Not audited or reviewed 2022
Security deposit for office	8,505	-
Multiculture Festival Production expenses	4,500	-
Office Prepaid Insurance	1,256	-
	<u>14,261</u>	<u>154,000</u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

\$

6. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2023	Not audited or reviewed 2022
Computer equipment	4,548	2,612	1,936	345
Office equipment	4,313	1,363	2,949	-
Furniture and fixtures	8,351	1,465	6,886	-
	<u>17,212</u>	<u>5,440</u>	<u>11,772</u>	<u>345</u>

Amortization in the amount of \$ 3,902 (2023 - \$377) has been recorded in the accounts for the year as described in Note 1.

7. COMMITMENTS

- i. Low Entropy Foundation has leased its office premises and space for operating the thrift store from Morguard Investments Ltd. The premises is located at unit 408, Burquitlam Plaza, 552 Clarke Road, Coquitlam, British Columbia V3J 3X5 for a period of 1 year starting April 15, 2023. The gross annual fees will be \$97,200 plus taxes.
- ii. Low Entropy Foundation had received \$15,295 as at March 31, 2023 from the city of Coquitlam to support Multicultural Connections Festival, which happened in July 2023.
- iii. Low Entropy Foundation had received \$81,747 as at March 31, 2023 from the Federal Ministry of Employment and Social Development for building an accessible multi-sensory room.
- iv. Low Entropy Foundation has received restricted donations of \$11,875 as at March 31, 2023 from various vendors to support Multicultural Connections Festival, which happened in July 2023.

8. DONATIONS

The society had the following donations received for the period:

	2023	Not audited or reviewed 2022
Restricted donations	850	-
Unrestricted donations	51,832	32,338
In kind donations	300	-
	<u>52,982</u>	<u>32,338</u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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9. GRANTS

The Society received the following grants:

	2023	Not audited or reviewed 2022
Federal grants		
Work Experience Opportunities Grant	50,000	50,000
Canada Summer Jobs	47,373	-
	<u>97,373</u>	<u>50,000</u>
Provincial grants		
Community Workforce Response Grant	192,082	72,720
Gaming Grant	22,000	27,000
Province of British Columbia – Ministry of Social Development and Poverty Reduction	1,148,434	-
	<u>1,362,516</u>	<u>99,720</u>
Municipal grants		
City of Coquitlam	-	15,000
Other grants		
Community Food Centre	20,000	-
Hamber Foundation	-	2,000
Mazon	3,120	3,145
Senior's Grant	25,000	-
Telus Grant	-	20,000
Vancity Grant	30,000	-
Youth Employment program	-	3,975
Care Program Management	30,850	-
Miscellaneous Grants	26,793	-
	<u>135,763</u>	<u>29,120</u>
	<u>1,595,652</u>	<u>193,840</u>

10. TRAINING PROVIDERS

The Society outsources its program training to various colleges. These training courses are for supporting individuals to become education assistants, software quality assurance testers and computer programmers. These training programs are funded by the Project Based Labor Market Training and Community Workforce Response Grant.

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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11. FINANCIAL INSTRUMENTS

i. Measurement of financial instruments

The Society's financial instruments consist of cash, accounts receivable, prepaid expenses and accounts payable, GST payable. The fair values of the instruments approximate their carrying values, unless otherwise noted.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, GST receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and government remittance payable.

ii. Impairment

Financial assets measured at cost will be tested for impairment when there are indicators of impairment. The amount of any identified impairment will be written down and recognized in net earnings. Any previously recognized impairment loss may be reversed to the extent of the improvement, either directly to this asset or by adjusting an allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net earnings.

iii. Transaction costs

The Society recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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12. FINANCIAL ASSETS AND LIABILITIES

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

i. Credit risk

The Society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Society does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

ii. Interest rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society's investment policy. The Society has no interest-bearing liabilities.

Fluctuations in interest rates do not have a significant effect on the cash of the Society.

iii. Liquidity risk

Liquidity risk is the risk that the Society will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Society monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Society.

13. ECONOMIC DEPENDANCE

Society has been economically dependent on provincial funding to manage its programs for the period ending March 31, 2023. Going forward, Management expects thrift store sales to grow to give the society enough funds to cover its cost and run sustainably.