

LOW ENTROPY FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2024

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

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Independent auditors' report

To the members,
Low Entropy Foundation
Coquitlam, BC

Opinion

We have audited the accompanying financial statements of Low Entropy, which comprise the statement of financial position as at March 31, 2024, 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, the accompanying financial statements present fairly, in all material respects, the financial position of Low Entropy Foundation as at March 31, 2024, 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 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.

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.

Independent auditor's report (continued)

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:

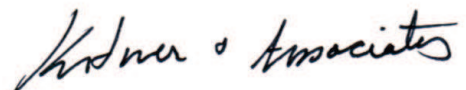
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.
- 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
August 24, 2024



Chartered Professional Accountants

LOW ENTROPY FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

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	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash	60,561	198,087
Accounts and funding receivable (Note 4)	64,966	58,719
GST refundable	1,805	899
Prepaid expenses and deposits (Note 5)	<u>38,202</u>	<u>14,261</u>
	165,534	271,966
EQUIPMENT (Note 6)	<u>21,665</u>	<u>11,772</u>
	<u>187,199</u>	<u>283,738</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts, payable and accrued	27,984	15,315
Government remittance payable	27,637	11,515
Deferred grant funds (Note 7 iii)	63,737	97,042
Deferred contribution – Capital assets	7,438	-
Deferred restricted donations (Note 7 iv)	<u>2,250</u>	<u>11,875</u>
	<u>129,046</u>	<u>135,747</u>
NET ASSETS		
NET ASSETS	<u>58,153</u>	<u>147,991</u>
	<u>187,199</u>	<u>283,738</u>

ON BEHALF OF THE BOARD

_____ *Ed Hall* **BOARD CHAIR**

_____ **CO-TREASURER**

LOW ENTROPY FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2024

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	<u>2024</u>	<u>2023</u>
REVENUE		
Donations (Note 8)	100,199	52,982
Federal Grants (Note 9)	15,131	97,373
Provincial Grants (Note 9)	116,311	1,362,516
Thrift store income (Note 14)	197,794	6,114
Other grants and income (Note 9)	295,823	135,763
	<u>725,258</u>	<u>1,654,748</u>
EXPENDITURES		
Amortization	19,132	3,902
Bank charges	591	648
Contractor costs	106,708	144,306
Director fees	-	35,946
Disposition of asset	426	6,471
Donations	30,033	
Legal and accounting	39,783	23,651
Insurance	1,564	1,256
Membership and dues	2,969	1,024
Office expenses	23,249	19,134
Phone and internet	4,214	4,398
Program administration	10,544	4,575
Program delivery costs	60,065	63,084
Program manager	47,550	117,498
Rent and occupancy costs	116,787	49,861
Training and education	3,358	25,116
Training providers (Note 10)	-	791,745
Travel	2,764	1,764
Wages and benefits	345,359	218,204
	<u>815,096</u>	<u>1,512,583</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(89,838)</u>	<u>142,165</u>

LOW ENTROPY FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2024

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	<u>2024</u>	<u>2023</u>
NET ASSETS, BEGINNING	147,991	5,826
Excess of revenues over expenditures	<u>(89,838)</u>	<u>142,165</u>
NET ASSETS, ENDING	<u><u>58,153</u></u>	<u><u>147,991</u></u>

LOW ENTROPY FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

	\$	2024	2023
OPERATING ACTIVITIES			
Excess of revenue over expenditures		(89,838)	142,165
ADD ITEM NOT AFFECTING CASH			
Amortization		<u>19,132</u>	<u>3,902</u>
		(70,706)	146,067
CHANGES IN NON-CASH WORKING CAPITAL			
Receivables		(6,247)	(58,719)
GST		(906)	(603)
Prepaid expenses		(23,941)	139,739
Accounts payable		12,669	(188,010)
Government remittance		16,122	11,515
Deferred grant		(33,305)	(126,878)
Deferred contribution – capital assets		(7,438)	-
Deferred restricted donation		<u>(9,625)</u>	<u>11,875</u>
Cash used for operating activities		<u>(108,501)</u>	<u>(65,014)</u>
CHANGES IN INVESTING ACTIVITIES			
Purchase of equipment		(29,751)	(33,122)
Proceeds on disposal of equipment		<u>726</u>	<u>17,794</u>
Cash used for investing activities		<u>(29,025)</u>	<u>(15,328)</u>
DECREASE IN CASH		(137,526)	(80,342)
Cash, beginning		<u>198,087</u>	<u>278,429</u>
CASH, ENDING		<u>60,561</u>	<u>198,087</u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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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, 2024

\$

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.

vii. 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, 2024

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4. ACCOUNTS RECEIVABLE

The society had the following receivables as at year end:

	<u>2024</u>	<u>2023</u>
Ministry of Social Development and Poverty Reduction	-	42,704
Gratnus Solution Inc.	-	9,531
Wage Subsidy Receivable	60,250	3,738
Prospera Credit Union	-	2,000
Aspira Retirement Living	-	500
Card Sales deposit	3,716	146
Progressive Intercultural Community Service Society	-	50
Tri Cities Community Action Team	-	50
Qualicare Tri cities	<u>1,000</u>	<u>-</u>
	<u>64,966</u>	<u>58,719</u>

5. PREPAID EXPENSES AND DEPOSITS

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

	<u>2024</u>	<u>2023</u>
Security deposit for office	11,437	8,505
Multiculture Festival Production expenses	3,767	4,500
Westlo Financial corp – New Thrift store	22,893	-
Office Prepaid Insurance	<u>105</u>	<u>1,256</u>
	<u>38,202</u>	<u>14,261</u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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6. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2024</u>	<u>2023</u>
Computer equipment	4,548	3,502	1,046	1,936
Office equipment	12,730	3,373	9,357	2,949
Furniture and fixtures	8,351	3,140	5,211	6,886
Leasehold improvements	16,750	14,104	2,646	-
Vehicles	<u>3,425</u>	<u>20</u>	<u>3,405</u>	<u>-</u>
	<u>45,804</u>	<u>24,139</u>	<u>21,665</u>	<u>11,772</u>

Amortization in the amount of \$ 19,132 (2024 - \$3,902) 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 has leased a new premises to operate a second thrift store from Westlo Financial Corp. The premises is located at unit 107B – 2748 Lougheed Hwy., Port Coquitlam, British Columbia for a period of 5 year starting June 01, 2024. The gross annual rent will be \$86,436 plus taxes for the first 2 years and then increase to \$90,552 for 3rd and 4th year and \$94,668 for the last year.
- 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. \$63,737 is yet to be spent.
- iv. Low Entropy Foundation has received restricted donations of \$2,250 as at March 31, 2024 from various vendors to support World Wide Food Festival, which will happen in July 2024.

8. DONATIONS

The society had the following donations received for the period:

	<u>2024</u>	<u>2023</u>
Restricted donations	56,682	850
Unrestricted donations	40,092	51,832
In kind donations	<u>3,425</u>	<u>300</u>
	<u>100,199</u>	<u>52,982</u>

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

\$

9. GRANTS

The Society received the following grants:

	<u>2024</u>	<u>2023</u>
Federal grants		
Work Experience Opportunities Grant	-	50,000
Canada Summer Jobs	15,131	47,373
	<u>15,131</u>	<u>97,373</u>
Provincial grants		
Community Workforce Response Grant	-	192,082
Gaming Grant	17,900	22,000
Province of British Columbia – Ministry of Social Development and Poverty Reduction	98,411	1,148,434
	<u>116,311</u>	<u>1,362,516</u>
Other grants		
Amortization of deferred contribution	15,094	-
City of Coquitlam	30,121	-
Community Food Centre	-	20,000
Hamber Foundation	1,000	-
Mazon	3,392	3,120
Senior's Grant	-	25,000
Vancity Grant	1,250	30,000
Care Program Management	53,049	30,850
Miscellaneous Grants	182,168	26,793
Miscellaneous income	4,949	-
UBC Program fee	4,800	-
	<u>295,823</u>	<u>135,763</u>
	<u>427,265</u>	<u>1,595,652</u>

In addition to above grants, the society also received \$19,200 from UBC Program fee and \$83,386 from other grants for the thrift store as noted in Note 14.

10. TRAINING PROVIDERS

For 2023, 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, 2024

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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, 2024

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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

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. 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. 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, 2024. Going forward, Management expects thrift store sales to grow to give the society enough funds to cover its cost and run sustainably.

LOW ENTROPY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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14. THRIFT STORE OPERATIONS

LEF operates a thrift store in Burquitlam, BC selling donated goods. Income generated from the thrift store is deemed as unrestricted revenue to LEF and has been a supplementary revenue source to support other under-funded programs. The thrift store is a branch of LEF, a registered charity and therefore not taxable. The income generated is used to support LEF's mission, mandate, projects and programs. The donors of thrift store are aware they are donating items to LEF.

The income and expenses for the thrift store are as follows:

	<u>2024</u>	<u>2023</u>
REVENUE		
Donations	4,800	400
Thrift store sales	288,554	6,114
UBC Program fee	19,200	-
Grants and other income	83,386	31,172
	<u>395,940</u>	<u>37,686</u>
EXPENDITURES		
Bank charges	3,036	46
Contractor costs	10,530	390
Phone and internet	448	-
Program delivery costs	18,893	5,575
Rent and occupancy costs	7,891	-
Travel	192	-
Wages and benefits	157,156	13,001
	<u>198,146</u>	<u>19,012</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>197,794</u>	<u>18,674</u>