

**Financial Statements of:**

**Soles4Souls Canada**

**June 30, 2019**

**Together with Independent  
Auditor's Report**

**SOLES4SOULS CANADA**  
**Financial Statements**  
**June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of:  
**Soles4Souls Canada:**

### Qualified Opinion

We have audited the accompanying financial statements of **Soles4Souls Canada**, which comprise the statement of financial position as at **June 30, 2019**, the statement of operations and changes in fund balances, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements presented fairly, in all material respects, the financial position of Soles4Souls Canada as at **June 30, 2019**, and the results of its operation and cash flows for the years then ended in accordance with Accounting Standards for Not-for-Profit Organizations.

### Basis for Qualified Opinion

In common with many charitable organizations, **Soles4Souls Canada** derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Soles4Souls Canada and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficit) of revenue over expenses, and cash flows from operations for the years ended **June 30, 2019**. We were appointed as auditors of the company on December 10, 2019 and thus our opinion on the financial statements for the year ended **June 30, 2019** was modified accordingly because of the possible effects of this limitation in scope.

We were appointed as auditors of the company on December 10, 2019 and we were not provided access to the working papers from the previous accountant. We were unable to satisfy ourselves by alternative means concerning opening balances of Net Assets at June 30, 2018. Since opening Net Assets enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the deficit for the year reported in the statement of operations and the net cash flows reported in the statement of cash flows.

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 the Organization 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 qualified opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Not for Profit Organization, 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.

## **INDEPENDENT AUDITOR'S REPORT**

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### **Responsibilities of Management and Those Charged with Governance for the Financial Statements (Cont'd)**

In preparing the financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

### **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 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, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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 purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Group'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 the Group to cease to continue as a going concern.

## **INDEPENDENT AUDITOR'S REPORT**

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### **Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Evaluate 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 the audit.

*NVS Professional Corporation*

NVS Professional Corporation  
Chartered Professional Accountants  
Authorized to practise public accounting by  
The Chartered Professional Accountants

Markham, Ontario  
April 13, 2020

# SOLES4SOULS CANADA

## Statement of Financial Position

As at June 30,	2019	2018 (Unaudited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 8,518	\$ -
Accounts Receivable (Note 4)	148,155	-
	156,673	-
Capital Assets (Note 5)	13,840	-
	\$ 170,513	\$ -
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 98,363	\$ -
	98,363	-
<b>Net Assets</b>		
Net Assets	\$ 72,150	\$ (10,335)
	\$ 170,513	\$ (10,335)

Approved on behalf of the Board:

\_\_\_\_\_ President

\_\_\_\_\_ Treasurer

# SOLES4SOULS CANADA

## Statement of Operations and Changes in Net Assets

For the years ended June 30,	2019	2018 (Unaudited)
<b>Revenue</b>		
Donations in-kind	\$ 11,695,705	\$ 10,999
Other Income	1,244	-
	11,696,949	10,999
<b>EXPENSES</b>		
Donations in-kind (Note 8)	11,259,886	8,312
Amortization (Note 5)	1,595	-
Bank fees	1,859	-
Payroll and other benefits	305,098	-
Legal and Professional fees	26,134	4,624
Travel	15,801	986
Postage and Shipping	-	4,974
Foreign exchange loss on translation of financial statements	4,091	2,438
	11,614,464	21,334
<b>Excess of revenue over expenditures</b>	82,485	(10,335)
<b>Net Assets, beginning of year</b>	(10,335)	-
<b>Net Assets, end of year</b>	\$ 72,150	\$ (10,335)

# SOLES4SOULS CANADA

## Statements of Cash Flows

For the years ended June 30,	2019	2018 (Unaudited)
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures	\$ 82,485	\$ (10,335)
Items not affecting cash:		
Amortization expense	1,595	-
	84,080	(10,335)
<b>Net change in non-cash working capital:</b>		
Increase (decrease) in Accounts receivable	(148,155)	-
(Increase) decrease in accounts payable and accrued liabilities	98,363	-
	(49,792)	-
Net cash provided by (used in) operating activities	34,288	(10,335)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	15,435	-
Net cash provided by investing activities	15,435	-
<b>Net change in cash and cash equivalents</b>	49,723	(10,335)
<b>Cash and cash equivalents, beginning of year</b>	(41,205)	(30,870)
<b>Cash and cash equivalents, end of year</b>	\$ 8,518	\$ (41,205)



# SOLES4SOULS CANADA

## Notes to Financial Statements

December 31, 2019

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### 1. PURPOSE OF THE ORGANIZATION

Soles4Souls Canada (the "Organization") was incorporated on February 11, 2016, under the Canada Not-for-profit Corporations Act as a corporation without share capital. The Organization's mission is to relieve poverty in Canada by providing shoes and clothing to individuals and families in need. To relieve poverty in developing nations by providing shoes and clothing to individuals and families in need and provide shoes and clothing to qualified micro-enterprise programs designed to create jobs for individuals and families in need.

The Organization has submitted an application, which is under process to be granted a registered charity status by the Canada Revenue Agency (CRA).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accounting policies of the Organization are in accordance with Accounting Standards for Not for Profit Organizations. Outlined below are those policies considered significant.

#### (a) Basis of Accounting

These financial statements of Soles4Souls Canada have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The following significant accounting policies are set forth to facilitate the understanding of these financial statements.

These financial statements have been prepared on a going concern basis, which presumes that the Organization will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

#### (b) Revenue Recognition

Revenue primarily consists of micro enterprises revenue generated when donated product is sold (which permission by donor) into social enterprise programming. This revenue stream is recognized at the point that the partner Soles4Souls Canada is selling to accepts the negotiation of the sale of the product. The partner assume ownership at the point the product is shipped.

All revenue as of this date has been in revenue stream. Revenue primarily consists of micro enterprises revenue generated when donated product is sold (which permission by donor) into social enterprise programming. This revenue stream is recognized at the point that the partner Soles4Souls Canada is selling to accepts the negotiation of the sale of the product. The partner assume ownership at the point the product is shipped. All revenue as of this date has been in revenue stream.

# SOLES4SOULS CANADA

## Notes to Financial Statements

December 31, 2019

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONT'D)

#### (c) Donated Products (Gifts-in-kind)

Inputs for measuring fair value of contributed inventory items may be obtained from published catalogs, vendors, independent appraisals, or other sources. If methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales, can reduce the cost measuring the fair value of inventory, use of those methods is appropriate, provided the methods are applied consistently, and the results of applying those methods are reasonably expected not to be materially different from the results of a detailed measurement of the fair value of contributed inventory. The fair value of the asset or liability represents the price that would be received to sell the asset or paid to transfer the liability.

#### (d) Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires the organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### (e) Capital Assets

Capital assets are recorded at cost and amortized over the assets' estimated useful lives. Intangible Assets as Trademarks are amortized on a straight-line basis over a period of fifteen years.

#### (f) Financial instruments

The organization's financial instruments consists of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair values of these financial instruments approximate their carrying values. The Organization initially measures its financial assets and financial liabilities at their fair value.

#### (g) Use of estimates

Estimates and assumptions are used when accounting for items such as Accounts Receivable, Accounts Payable, impairment of property, plant and equipment, determination of useful lives of capital assets, revenue recognition, and contingent liabilities.

**SOLES4SOULS CANADA**  
**Notes to Financial Statements**  
**December 31, 2019**

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**3. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
Cash and Cash Equivalents	\$ 8,518	\$ -
Less: Outstanding cheques	-	-
	<b>\$ 8,518</b>	<b>\$ -</b>

**4. ACCOUNTS RECEIVABLES**

	<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
Trade Receivables - Microenterprise	\$ 148,155	\$ -
	<b>\$ 148,155</b>	<b>\$ -</b>

**5. CAPITAL ASSETS**

			<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Net</b>
Trademarks	\$ 15,435	\$ (1,595)	\$ 13,840	\$ -
	<b>\$ 15,435</b>	<b>\$ (1,595)</b>	<b>\$ 13,840</b>	<b>\$ -</b>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
Trade payables	\$ 113,143	\$ -
Payroll taxes payable/ (receivable)	(14,780)	-
	<b>\$ 98,363</b>	<b>\$ -</b>

**SOLES4SOULS CANADA**  
**Notes to Financial Statements**  
**December 31, 2019**

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**7. REVENUE**

	<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
Gifts in-kind	\$ 11,695,705	\$ -
Other income	1,244	-
	<b>\$ 11,696,949</b>	<b>-</b>

**8. COST OF SALES**

	<b>2019</b>	<b>2018</b> <b>(Unaudited)</b>
Gifts in-kind	\$ 11,254,518	\$ 1,355
Others	5,368	6,957
	<b>\$ 11,259,886</b>	<b>\$ 8,312</b>

**9. FINANCIAL INSTRUMENTS**

**Interest Rate and Credit Risk**

The Organization is not exposed to significant interest rate and credit risks arising from its financial instruments.

**Foreign Currency Exchange Risk**

The Organization is exposed to fluctuations in foreign currency exchange rates as all payments to related parties in United States for : (i) its expertise in solitication and procurement of Materials from manufacturers and distributors in Canada, and (ii) provide financial and administrative management services. As a result, fluctuations in the United States dollar against the Canadian dollar have been adjusted in the Organization's financial results which are denominated in Canadian dollars.

**Liquidity Risk**

Liquidity risk refers to the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. At year end, the Organization had \$98,363 (2018 - \$NIL) of current accounts payable and accrued liabilities subject to liquidity risk. The Group's financial instruments consist mainly of deposits with banks, loans to and from related parties, and accounts receivable and payable.

# **SOLES4SOULS CANADA**

## **Notes to Financial Statements**

### **December 31, 2019**

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#### **10. SUBSEQUENT EVENT**

On January 30, 2020, the World Health Organization (“WHO”) declared a Public Health Emergency of International Concern resulting from an outbreak of pneumonia cases from an unknown cause which originated in Wuhan, China. Over a week later, on February 11, 2020, the WHO then announced a name for this new disease called the coronavirus (“COVID-19”). And on March 11, 2020, the WHO declared COVID-19 to be a global pandemic and a world-wide health concern to all of humanity. As a result, governing countries and their leaders around the world acted to mitigate the spread of this virus by restricting travel, testing and quarantining symptomatic individuals, enforcing social distancing, closing schools and non-essential businesses and requesting residents to stay inside their homes. These measures have had a direct impact on the global and Canadian economy.

The Canadian government acted by testing and treating symptomatic individuals, enforcing social distancing, closing schools and non-essential businesses and requesting the community to stay inside their homes. Due to these measures taken, many businesses were forced to lay off staff, postpone contracts and work, request financial relief and defer payments to their financial lenders, landlords and stakeholders and to close their businesses altogether. The Federal government also responded by extending tax filing and payment deadlines and made available a wage subsidy to qualifying businesses to help provide some relief during this challenging time.

It is uncertain how long these COVID-19 conditions will last and what economic impact they will have on the company’s business, ongoing cash flows and its ability to continue as a going concern.

#### **11. COMPARATIVE FIGURES**

Certain of the 2018 figures have been reclassified to conform with the current period's financial statement presentation.