

**FREEDOM INTERNATIONAL SCHOOL INC.**

**Financial Statements**

**Year Ended June 30, 2020**

**FREEDOM INTERNATIONAL SCHOOL INC.**  
**Index to Financial Statements**  
**Year Ended June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Freedom International School Inc.

### *Qualified Opinion*

I have audited the financial statements of Freedom International School Inc. (the School), which comprise the statement of financial position as at June 30, 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 School as at June 30, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

In common with many charitable organizations, the School derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, excess of revenues over expenses, cash flows from operations for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this scope limitation.

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 School in accordance with 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 these 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 ASNPO, 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 School'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 School or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the School'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 School'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 School'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 School 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.

Winnipeg, Manitoba  
December 14, 2020

GHI PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANT

**FREEDOM INTERNATIONAL SCHOOL INC.**

**Statement of Financial Position**

**June 30, 2020**

|  | 2020<br>\$    | 2019<br>\$    |
|--|---------------|---------------|
| <b>ASSETS</b>                            |               |               |
| <b>CURRENT</b>                           |               |               |
| Cash                                     | 48,978        | 10,170        |
| Accounts receivable                      | 1,584         | 18,904        |
| Grants receivable (Note 3)               | 24,734        | -             |
| Prepaid expenses                         | 668           | 824           |
| <b>TOTAL ASSETS</b>                      | <b>75,964</b> | <b>29,898</b> |
| <b>LIABILITIES AND NET ASSETS</b>        |               |               |
| <b>CURRENT</b>                           |               |               |
| Accounts payable and accrued liabilities | 16,675        | 6,570         |
| Deferred contribution (Note 4)           | 4,336         | -             |
|  | 21,011        | 6,570         |
| CEBA LOAN (Note 5)                       | 30,000        | -             |
| <b>TOTAL LIABILITIES</b>                 | <b>51,011</b> | <b>6,570</b>  |
| <b>NET ASSETS</b>                        |               |               |
| Unrestricted                             | 24,953        | 23,328        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>75,964</b> | <b>29,898</b> |

**ON BEHALF OF THE BOARD**

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

See notes to financial statements

**FREEDOM INTERNATIONAL SCHOOL INC.****Statement of Revenues and Expenditures****For the Year Ended June 30, 2020**

|  | 2020           | 2019           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>REVENUES</b>                          |                |                |
| Donations                                | 179,791        | 139,066        |
| Green team grant                         | 8,508          | -              |
| Federal and provincial grants            | 24,819         | -              |
| Student fees                             | 7,080          | 3,140          |
| Donated products revenue                 | 31,251         | -              |
|  | <u>251,449</u> | <u>142,206</u> |
| <b>EXPENSES</b>                          |                |                |
| Subcontracting costs                     | 62,039         | 27,300         |
| Teachers' salaries                       | 55,291         | -              |
| Donated goods expensed                   | 31,351         | -              |
| Salaries and wages                       | 24,758         | 24,168         |
| Management salaries                      | 24,000         | 27,000         |
| Rental                                   | 18,075         | 17,100         |
| Summer programs                          | 11,818         | 1,585          |
| Supplies                                 | 4,904          | 3,020          |
| Professional fees                        | 4,886          | 4,024          |
| Advertising and promotion                | 4,481          | 3,711          |
| Business taxes, licenses and memberships | 1,472          | 748            |
| Cleaning charges                         | 1,405          | 600            |
| Sports, arts and awards                  | 1,298          | 2,551          |
| Utilities                                | 935            | -              |
| Memberships and professional development | 782            | 94             |
| Bad debts                                | 605            | -              |
| Insurance                                | 579            | -              |
| Transportation                           | 535            | -              |
| Interest and bank charges                | 330            | 6              |
| Fundraising                              | 178            | 2,098          |
| Meetings and conventions                 | 102            | 113            |
| Capital assets expensed                  | -              | 4,760          |
|  | <u>249,824</u> | <u>118,878</u> |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>  | <u>1,625</u>   | <u>23,328</u>  |

**FREEDOM INTERNATIONAL SCHOOL INC.**  
**Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2020**

|  | Unrestricted | 2020          | 2019   |
|--|--------------|---------------|--------|
|  | \$           | \$            | \$     |
| <b>NET ASSETS - BEGINNING OF YEAR/PERIOD</b> | 23,328       | <b>23,328</b> | -      |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>      | 1,625        | <b>1,625</b>  | 23,328 |
| <b>NET ASSETS - END OF YEAR/PERIOD</b>       | 24,953       | <b>24,953</b> | 23,328 |

**FREEDOM INTERNATIONAL SCHOOL INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

|   | 2020<br>\$           | 2019<br>\$           |
|---|----------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                   |                      |                      |
| Excess of revenues over expenses              | 1,625                | 23,328               |
| Items not affecting cash:                     |                      |                      |
| Forgiveable portion of CEBA loan              | (10,000)             | -                    |
| Second Harvest grant recognized as income     | (5,664)              | -                    |
|   | <u>-</u>             | <u>-</u>             |
|   | <u>(14,039)</u>      | <u>23,328</u>        |
| Changes in non-cash working capital:          |                      |                      |
| Accounts receivable                           | 17,320               | (18,904)             |
| Grants receivable                             | (24,734)             | -                    |
| Accounts payable and accrued liabilities      | 10,105               | 6,570                |
| Second Harvest grant/contribution received    | 10,000               | -                    |
| Prepaid expenses                              | 156                  | (824)                |
|   | <u>12,847</u>        | <u>(13,158)</u>      |
| Cash flow from (used by) operating activities | <u>(1,192)</u>       | <u>10,170</u>        |
| <b>FINANCING ACTIVITY</b>                     |                      |                      |
| CEBA loan received                            | <u>40,000</u>        | <u>-</u>             |
| <b>INCREASE IN CASH FLOW</b>                  | <b>38,808</b>        | <b>10,170</b>        |
| Cash - beginning of year                      | <u>10,170</u>        | <u>-</u>             |
| <b>CASH - END OF YEAR</b>                     | <b><u>48,978</u></b> | <b><u>10,170</u></b> |
| <b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>   |                      |                      |
| Interest paid                                 | <u>330</u>           | <u>7</u>             |



**FREEDOM INTERNATIONAL SCHOOL INC.**

**Notes to Financial Statements**

**For the Year Ended June 30, 2020**

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1. PURPOSE OF THE SCHOOL

Freedom International School (the "School") is a not-for-profit organization incorporated on May 1, 2018 under the Corporations Act of Manitoba. The School is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The School is designed to provide support for students and their families as they transition successfully into Canadian society. The School operates to address the needs of students who are two or more academic years behind their peers in the public school system.

The registered office of the organization is 771 Sargent Avenue, Winnipeg, MB R3E 0B5.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNFP) and reflect the following significant account policies:

First financial statements

Financial statements of the School for the period ended June 30, 2019 were the first financial statements since its incorporation date and were prepared in accordance with ASNFP.

Revenue recognition

School follows the deferral method of accounting for contributions. Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Student fees are recognized as revenue proportionately over the fiscal year to which they relate.

The School recognizes grants when collection is reasonably assured.

Capital assets

Capital assets are recorded as expenses in the year they are acquired.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. Volunteers contribute significant hours per year to assist School in delivering its services. Whether the fair value of contributed services and donated material goods cannot be reasonably determined, those contributed services and material goods are not reflected in these financial statements.

Cash

Cash and bank are made up of unrestricted cash and balance with bank at the statement of financial position date.

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**FREEDOM INTERNATIONAL SCHOOL INC.**

**Notes to Financial Statements**

**For the Year Ended June 30, 2020**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goods and Services Tax

Goods and Services Tax (GST) paid on materials purchased and services acquired are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Financial Instruments

School initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets subsequently measured at amortized cost include cash, accounts receivable and grants receivable. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and CEBA loan.

With respect to financial assets measured at cost or amortized cost, The School recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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3. GRANT RECEIVABLE

These receivable mainly include Canada Emergency Wage Subsidy of \$9,988, Government of Manitoba Green Team Grant of \$8,508 and United Way Eemergency Community Support Fund of \$5,510.

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4. DEFERRED CONTRIBUTION

During the year the School has received contributon from Second Harvest Grant of 10,000 (2019: \$nil). Contribution amounting to \$5,664 (2019: \$nil) was recognized as revenue during the year resulting in deferred contribution related to the following year of \$4,336 (2019: \$nil).

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5. CEBA LOAN

Federal Government of Canada has provided an interest free Canada Emergency Business Account (CEBA), partially forgivable, loans of up to \$40,000 (2019: \$nil), to small businesses and not-for-profits, that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and wages.

A portion of \$40,000 CEBA loan would be forgivable if 75% of loan is repaid by December 31, 2022. As the School has planned to pay this loan by December 31, 2022, accordingly an amount of \$10,000 (2019: \$nil) is recognized as revenue during the year and remaining \$30,000 (2019: \$nil) is disclosed as CEBA loan liability.

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**FREEDOM INTERNATIONAL SCHOOL INC.**

**Notes to Financial Statements**

**For the Year Ended June 30, 2020**

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6. FINANCIAL INSTRUMENTS

The significant risks arising from financial instruments to which the organization is exposed as at June 30, 2020 are detailed below.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The School is exposed to credit risk with respect to its accounts receivable. The School provides credit to its clients in the normal course of its operations.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The School has sufficient funds in bank to meet its debt. The School is exposed to this risk mainly related to accounts payable and accrued liabilities and CEBA loan.

**(c) 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. The School is not significantly exposed to these risks. Analysis of each risk is given below:

**(d) Currency risk**

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The School is not exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable as these are held or payable in Canadian dollars.

**(e) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the School manages exposure through its normal operating and financing activities. The School is not exposed to interest rate risk as it does not carry any floating interest rate bank indebtedness and credit facilities.

**(f) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The School is not exposed to other price risk as it has no investment in quoted shares.

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**FREEDOM INTERNATIONAL SCHOOL INC.**

**Notes to Financial Statements**

**For the Year Ended June 30, 2020**

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7. SUBSEQUENT EVENT

Covid 19

The COVID 19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. Under direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and the school district remained open to continue to support students and families in a variety of ways. Parents were given the choice to send their children back to school on a gradual and part-time basis beginning June 1 with new health and safety guidelines. The ongoing impact of the pandemic presents uncertainty over future cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the school district is not practicable at this time.

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