

FREEDOM INTERNATIONAL SCHOOL INC.
Financial Statements
Year Ended June 30, 2022

FREEDOM INTERNATIONAL SCHOOL INC.
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Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at June 30, 2022 and 2021, and net assets as at July 1 and June 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 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
October 17, 2022

GHI PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

FREEDOM INTERNATIONAL SCHOOL INC.
Statement of Financial Position
June 30, 2022

	2022	2021
	\$	\$
ASSETS		
CURRENT		
Cash	171,355	112,704
Term deposits	-	30,100
Accounts receivable	23,274	46,699
Taxes recoverable	-	16
Prepaid expenses	1,784	12,830
	196,413	202,349
PROPERTY, PLANT AND EQUIPMENT	179,327	81,625
TOTAL ASSETS	375,740	283,974
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	25,763	23,564
Deferred contribution	78,384	48,274
	104,147	71,838
CEBA LOAN	30,000	30,000
TOTAL LIABILITIES	134,147	101,838
NET ASSETS		
Net Assetss	241,593	182,136
TOTAL LIABILITIES AND NET ASSETS	375,740	283,974

ON BEHALF OF THE BOARD


Director

Director

FREEDOM INTERNATIONAL SCHOOL INC.
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022

	2022	2021
	\$	\$
REVENUES		
Student fees	16,580	9,695
Fundraisings	7,644	695
Green team grant	38,308	40,854
Donations	164,635	74,801
Grants - non Government	130,853	137,973
Federal and provincial grants	224,752	215,736
Donated goods revenue	149,601	633,661
	<u>732,373</u>	<u>1,113,415</u>
EXPENSES		
Salaries and wages	184,581	133,294
Teachers' salaries	163,580	64,886
Donated good expenses	149,602	633,661
Management salaries	49,652	37,079
Supplies	34,058	19,693
Rental	27,312	12,000
Advertising and promotion	11,071	15,554
Professional fees	5,158	5,082
Subcontracting costs	7,906	18,458
Amortization	23,004	1,492
Cleaning charges	3,275	3,600
Insurance	2,350	1,122
Transportation	2,153	853
Memberships and professional development	6,538	1,017
Sports, arts and awards	-	1,653
Interest and bank charges	309	214
Utilities	198	1,658
Meetings and conventions	214	131
Summer programs	-	4,256
Fundraising	2,807	1,347
Bad debts	-	550
	<u>673,768</u>	<u>957,600</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	58,605	155,815
OTHER INCOME	<u>852</u>	<u>1,367</u>
EXCESS OF REVENUES OVER EXPENSES	<u>59,457</u>	<u>157,182</u>

See notes to financial statements

FREEDOM INTERNATIONAL SCHOOL INC.
Statement of Changes in Net Assets
For the Year Ended June 30, 2022

	Unrestricted	2022	2021
	\$	\$	\$
NET ASSETS - BEGINNING OF YEAR	182,136	182,136	24,954
EXCESS OF REVENUES OVER EXPENSES	59,457	59,457	157,182
NET ASSETS - END OF YEAR	241,593	241,593	182,136

FREEDOM INTERNATIONAL SCHOOL INC.**Statement of Cash Flows****For the Year Ended June 30, 2022**

	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	59,457	157,182
Item not affecting cash:		
Amortization of tangible capital assets	23,004	1,492
	<u>82,461</u>	<u>158,674</u>
Changes in non-cash working capital:		
Accounts receivable	23,425	(20,397)
Accounts payable and accrued liabilities	2,198	6,890
Taxes recoverable	16	-
Prepaid expenses	11,046	(12,162)
	<u>36,685</u>	<u>(25,669)</u>
Cash flow from operating activities	<u>119,146</u>	<u>133,005</u>
INVESTING ACTIVITIES		
Furniture and equipment	(18,850)	(7,397)
Leasehold improvements	(101,855)	(75,720)
Cash flow used by investing activities	<u>(120,705)</u>	<u>(83,117)</u>
FINANCING ACTIVITY		
Deferred contribution	30,110	43,938
INCREASE IN CASH FLOW	28,551	93,826
Cash - beginning of year	<u>142,804</u>	<u>48,978</u>
CASH - END OF YEAR	<u>171,355</u>	<u>142,804</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>309</u>	<u>215</u>
CASH CONSISTS OF:		
Cash	171,355	112,704
Term deposits	-	30,100
	<u>171,355</u>	<u>142,804</u>

See notes to financial statements

FREEDOM INTERNATIONAL SCHOOL INC.

Notes to Financial Statements

For the Year Ended June 30, 2022

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNFPO) 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 ASNFPO.

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.

Donated food is recognized at fair value.

Capital assets

Capital assets are amortized over five years term. Leasehold improvements are amortized once they are ready to be used in the normal course of operation. As the extension of the lease is reasonably assured for many years, leasehold improvements are depreciated based on the useful life of the asset.

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.

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FREEDOM INTERNATIONAL SCHOOL INC.

Notes to Financial Statements

For the Year Ended June 30, 2022

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

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year \$115,193 in goods were received from charity organization and donated onwards.

Cash

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

Goods and Services Tax

Goods and Services Tax (GST) paid on materials purchased and services acquired are recoverable at 68% 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.

3. TANGIBLE CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Furniture and equipment	26,247	6,738	19,509	5,905
Leasehold improvements	177,575	17,758	159,817	75,720
	203,822	24,496	179,326	81,625

4. GRANT RECEIVABLE

These receivable mainly include Canada Emergency Wage Subsidy of \$ nil (2021: \$33,471), Department of Education \$22,013 (2021: \$11,434).

FREEDOM INTERNATIONAL SCHOOL INC.

Notes to Financial Statements

For the Year Ended June 30, 2022

5. DEFERRED CONTRIBUTION

This includes contributions received from CT jumpster of \$10,000 (2021:\$nil), Second Harvest Grant and Green Team of \$56,019 (2021:\$45,429) and Local Food Infrastructure Fun grant of \$17,222 (2021: nil).and WF Adapt Grant 2022 of \$ 30,000 (2021:nil), Contribution amounting to \$50,810 (2022:\$15,493) was recognized as revenue during the year resulting in deferred contribution related to the following year of \$78,384 (2021: \$48,274).

6. CEBA LOAN

Federal Government of Canada has provided an interest free Canada Emergency Business Account (CEBA), partially forgivable, loans of up to \$40,000 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, 2023. As the School has planned to pay this loan by December 31, 2023, accordingly an amount of \$10,000) was recognized as revenue during 2020 and remaining \$30,000 (2021: \$30,000) is disclosed as CEBA loan liability.

7. FINANCIAL INSTRUMENTS

The significant risks arising from financial instruments to which the organization is exposed as at June 30, 2022 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 meets its debt. The School is exposed to this risk manly 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.

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FREEDOM INTERNATIONAL SCHOOL INC.

Notes to Financial Statements

For the Year Ended June 30, 2022

7. FINANCIAL INSTRUMENTS *(continued)*

(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 nexposed to other price risk as it has no investment in quoted shares.

8. 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.
