

**LIVEDIFFERENT
BRANDON, MANITOBA
COMBINED FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
LiveDifferent

Qualified Opinion

We have audited the combined financial statements of LiveDifferent (the Organization), which comprise the combined statement of financial position as at August 31, 2021, and the combined statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2021, and its results of 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

In common with many not for profit organizations, LiveDifferent derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of LiveDifferent. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency of) revenue over expenditures, and cash flows from operations for the years ended August 31, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the combined financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined 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 combined 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 audit opinion.

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

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing LiveDifferent's financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 also:

- Identify and assess the risks of material misstatement of the combined 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 purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined 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 auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined 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.

HAMILTON, ONTARIO
February 17, 2022

Handwritten signature in black ink that reads "HGK Partners LLP".

HGK PARTNERS LLP
Chartered Professional Accountants
Licensed Public Accountants

LIVEDIFFERENT
Combined Statement of Financial Position
As at August 31, 2021

	2021	2020
ASSETS		
Current		
Cash (Note 2)	\$ 327,080	\$ 1,280,661
Accounts receivable (Note 3)	170,602	201,711
Interest receivable	-	15,709
Note receivable - current portion (Note 4)	3,025	12,000
Inventory	46,542	28,675
Prepaid expenditures	<u>77,769</u>	<u>98,325</u>
	<u>625,018</u>	<u>1,637,081</u>
Note receivable (Note 4)	-	1,404
Capital assets (Note 5)	2,434,468	1,545,979
Intangible assets (Note 6)	<u>444,755</u>	<u>161,943</u>
	<u>2,879,223</u>	<u>1,709,326</u>
	<u>\$ 3,504,241</u>	<u>\$ 3,346,407</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 293,394	\$ 227,350
Deferred revenue (Note 9)	463,070	643,467
Current portion of capital leases payable (Note 11)	<u>63,434</u>	<u>60,200</u>
	<u>819,898</u>	<u>931,017</u>
CEBA loan (Note 10)	40,000	-
Deferred capital contributions (Note 9)	2,385,276	2,265,663
Capital leases payable (Note 11)	<u>170,324</u>	<u>233,754</u>
	<u>2,595,600</u>	<u>2,499,417</u>
	3,415,498	3,430,434
NET ASSETS		
Unrestricted net assets (deficiency)	<u>88,743</u>	<u>(84,027)</u>
	<u>\$ 3,504,241</u>	<u>\$ 3,346,407</u>

Commitments (Note 16)

On behalf of the Board:

Director

Director

(See Accompanying Notes)

LIVEDIFFERENT
Combined Statement of Changes in Net Assets
Year Ended August 31, 2021

	Unrestricted Net Assets (Deficiency)
	<u>2021</u>
Balance, beginning of year	\$ (84,027)
Excess of revenue over expenditures	<u>172,770</u>
Balance, end of year	<u><u>\$ 88,743</u></u>
	<u>2020</u>
Balance, beginning of year	\$ 113,019
Deficiency of revenue over expenditures	<u>(197,046)</u>
Balance, end of year	<u><u>\$ (84,027)</u></u>

(See Accompanying Notes)

LIVEDIFFERENT
Combined Statement of Revenue and Expenditures
Year Ended August 31, 2021

	2021	2020
Revenue		
School presentation/assembly program fees	\$ 83,475	\$ 172,702
LiveDifferent Builds program fees	9,039	83,496
LiveDifferent Academy program fees	-	23,665
Federal government wage subsidy <i>(Note 3)</i>	471,791	394,349
Federal government - forgivable portion of CEBA loan <i>(Note 10)</i>	20,000	-
Donations <i>(Note 12)</i>	1,367,071	1,808,699
Fundraising and other <i>(Note 13)</i>	36,449	85,610
Other grant revenue	<u>18,436</u>	<u>56,877</u>
	<u>2,006,261</u>	<u>2,625,398</u>
Expenditures <i>(Note 14)</i>		
Programs		
LiveDifferent Builds <i>(Note 15)</i>	487,551	968,081
LiveDifferent Academy	11,828	42,064
Presentations/school assemblies <i>(Note 11)</i>	566,725	907,445
LiveDifferent projects	449,805	322,935
Other projects	<u>18,436</u>	<u>56,877</u>
	1,534,345	2,297,402
Management and general <i>(Note 5)</i>	203,612	273,518
Fundraising	<u>95,534</u>	<u>251,524</u>
	<u>1,833,491</u>	<u>2,822,444</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 172,770</u>	<u>\$ (197,046)</u>

(See Accompanying Notes)

LIVEDIFFERENT
Combined Statement of Cash Flows
Year Ended August 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency of) revenue over expenditures	\$ 172,770	\$ (197,046)
Expenditures not requiring a cash outlay:		
Amortization	95,292	65,396
Gain on disposal of capital assets	(12,599)	(15,561)
Forgiveable portion of CEBA loan	<u>(20,000)</u>	<u>-</u>
	<u>235,463</u>	<u>(147,211)</u>
(Increase) decrease in accounts receivable	31,109	(84,057)
(Increase) decrease in interest receivable	15,709	(15,709)
(Increase) decrease in inventory - materials	(17,867)	(12,654)
(Increase) decrease in prepaid expenditures	20,557	20,543
Increase (decrease) in accounts payable and accrued liabilities	66,044	(8,502)
Increase (decrease) in deferred revenue	<u>(180,397)</u>	<u>389,591</u>
	<u>(64,845)</u>	<u>289,212</u>
Net cash provided by (used for) operating activities	<u>170,618</u>	<u>142,001</u>
INVESTING ACTIVITIES		
Issue of note receivable	(1,430)	-
Proceeds on repayment of note receivable	11,809	12,000
Acquisition of capital assets	(985,668)	(719,829)
Acquisition of intangible assets	(282,811)	(161,943)
Proceeds on disposition of capital assets	<u>14,485</u>	<u>64,038</u>
Net cash provided by (used for) investing activities	<u>(1,243,615)</u>	<u>(805,734)</u>
FINANCING ACTIVITIES		
Issue of CEBA loan	60,000	-
Repayment of capital leases payable	(60,197)	(100,999)
Contributions restricted for capital asset and intangible asset purchases	<u>119,613</u>	<u>480,042</u>
Net cash provided by (used for) financing activities	<u>119,416</u>	<u>379,043</u>
Increase (decrease) in cash	(953,581)	(284,690)
Cash, beginning of year	<u>1,280,661</u>	<u>1,565,351</u>
Cash, end of year	<u>\$ 327,080</u>	<u>\$ 1,280,661</u>
Non-cash financing and investing activity:		
Vehicles and computer equipment financed by capital leases	<u>\$ -</u>	<u>\$ 364,598</u>

(See Accompanying Notes)

LIVEDIFFERENT
Notes to Combined Financial Statements
Year Ended August 31, 2021

LiveDifferent has been a registered charity since 2000, incorporated by letters patent under Part II of the Canada Corporations Act, without share capital, on February 15, 2005. Supplementary Letters Patent were registered on January 24, 2012 changing the name of the organization to LiveDifferent and the organization was continued under The Canada Not-for-profit Corporations Act, on October 10, 2014. As a result of its charitable status, it is exempt from the payment of income taxes under Section 149 (1)(f) of the Income Tax Act (Canada).

Amor, Esperanza, Cambio, A.C., a civil association registered with the government of Mexico in November, 2013, was created by LiveDifferent in order to purchase a house in Mexico and open a bank account to enable LiveDifferent to carry out its various charitable activities or projects outside Canada. It is controlled by LiveDifferent as the majority of Board members are also Board members of LiveDifferent and it is entirely managed by staff of LiveDifferent.

LiveDifferent exists to empower and engage youth in a lifestyle of compassion and service. They have trained teams doing engaging, multimedia school motivational presentations, giving a life changing message of hope to hundreds of thousands of students each school year. Additionally, their LiveDifferent Builds program has thousands of students travelling to developing nations to do tangible humanitarian work, primarily building homes for families in need of basic shelter. Their LiveDifferent Academy provides recent high school graduates with a life directing three month mentorship, travel and social justice program.

1. SIGNIFICANT ACCOUNTING POLICIES

These combined financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) Financial Instruments

(i) Measurement of Financial Instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the carrying amount or exchange amount, as appropriate. The organization subsequently measures all of its financial assets and liabilities at amortized cost. Changes in fair value are recognized in excess (deficiency of) revenue over expenditures. Financial assets measured at amortized cost include cash, accounts receivable and note receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and CEBA loan.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write down is recognized in excess (deficiency of) revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the 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 the reversal is recognized in excess (deficiency of) revenue over expenditures.

LIVEDIFFERENT
Notes to Combined Financial Statements
Year Ended August 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial Instruments (Continued)

(iii) Transaction Costs

The organization recognizes its transaction costs in excess (deficiency of) revenue over expenditures 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.

(b) Inventory

Inventory of merchandise held for sale is valued at the lower of weighted average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. Inventory distributed to the public at no charge or nominal charge during special events is carried at the lower of cost and current replacement cost.

(c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized.

The organization records amortization on its assets on a straight line basis over the estimated useful life of the assets, based on the following years of useful life:

House	-	25 years
Vehicles	-	3 - 5 years
Office furniture and equipment	-	5 years
Computer equipment	-	3 years

(d) Intangible Assets

Intangible assets developed internally are initially recognized if they meet the recognition criteria. Internally generated website development includes the costs incurred for the transactional section of the website developed to help the organization generate revenue or to be used in the provision of services by the organization. Subsequent to initial recognition, intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses.

Costs are amortized on a straight line basis, over the following years of useful life:

Website development	-	3 years
Software application	-	3 years

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Intangible Assets (Continued)

The organization reviews, for impairment, the carrying value of capital assets and intangible assets whenever events or changes in circumstances indicate that a cost incurred to acquire or develop an asset does not provide future service potential to the organization. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

(e) Assets Under Capital Leases

Assets under capital leases are accounted for at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Amortization is based on the straight-line basis over the lower of the estimated useful life of the assets and the lease term as indicated.

Vehicles	- 3 - 5 years
Computer equipment	- 3 years

(f) Obligations Under Capital Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized on a straight-line basis over its estimated useful life or the term of the lease. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments expensed as incurred.

(g) Revenue Recognition

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions externally restricted for capital assets and intangible assets are deferred and amortized on the same basis as the related capital or intangible asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grants towards current expenditures, including salaries, are recognized as revenue in the period during which these expenditures are incurred, provided there is reasonable assurance that the organization has complied and will continue to comply with all the conditions of the assistance.

Fees related to school programs and other programs are recognized as revenue when the services related to the assembly or program are performed and collection is reasonably assured.

Fees related to LiveDifferent Builds program are recognized as revenue once the participant has completed all aspects of the program and collection is reasonably assured. Fundraising and other revenue and interest revenue are recognized as revenue when earned.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Asset and Service Contributions

Volunteers contribute a significant amount of time each year to assist the organization in carrying out its programs and services. Because of the difficulty in determining their fair value, contributed services are not recognized in these combined financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, providing a fair value can be reasonably determined.

(i) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the combined statement of financial position date. Non-monetary items are translated at the rate in effect at the time the asset was acquired or the liability was realized. Revenue and expenditures are translated at the rate prevailing at the time of the transaction.

(j) Government Assistance

The organization recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received.

(k) Allocated Expenditures

Expenditures are classified and reported as programs, management and general, and fundraising expenditures based on the level of benefit received by each function. For employees who perform a combination of program, management and general, and fundraising, their wages and benefits and other payroll related costs are allocated based on the percentage of time dedicated to the activity.

(l) Use of Estimates

The preparation of combined financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenue and expenditures during the reporting period. Key estimates include the useful life, amortization and impairment of capital and intangible assets and the related recognition of deferred capital contributions. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

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Notes to Combined Financial Statements
Year Ended August 31, 2021

2. CASH

	<u>2021</u>	<u>2020</u>
Cash	\$ 327,080	\$ 586,863
Cash - high yield savings account	-	693,798
	<u>\$ 327,080</u>	<u>\$ 1,280,661</u>

The high yield savings account bears interest on an escalating tiered basis for which at year end was an average of .80% (2020 - 1.40%).

3. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Program receivables	\$ 56,407	\$ 49,751
Federal government wage subsidy	76,583	132,837
Harmonized Sales Tax (HST) recoverable	20,281	18,758
Other	17,331	365
	<u>\$ 170,602</u>	<u>\$ 201,711</u>

The organization received subsidies under the Canada Emergency Wage Subsidy (CEWS) for the subsidization of employee wages due to COVID-19. The measurement of CEWS receivable is subject to uncertainty as the CEWS legislation required interpretations by management and the claims are subject to review and possible adjustment by the relevant authorities.

4. NOTE RECEIVABLE

The note receivable is from an employee of the organization and is due October 1, 2021 with monthly payments of \$1,000 beginning April, 2017. It is unsecured and non-interest bearing.

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Notes to Combined Financial Statements
Year Ended August 31, 2021

5. CAPITAL ASSETS

	2021			2020
	Cost	Accumulated Amortization	Net	Net
Land - Freedom Village	\$ 65,263	\$ -	\$ 65,263	\$ 65,263
House	123,187	45,663	77,524	147,714
Building under construction - Freedom Village	1,989,939	-	1,989,939	945,471
Vehicles	112,229	72,816	39,413	44,148
Vehicles under capital lease	351,137	106,156	244,981	312,027
Office furniture and equipment	26,072	24,619	1,453	4,492
Computer equipment	35,323	24,289	11,034	17,516
Computer equipment under capital lease	13,461	8,600	4,861	9,348
	\$ 2,716,611	\$ 282,143	\$ 2,434,468	\$ 1,545,979

Amortization expense for the fiscal year ended August 31, 2021 was \$95,292 (2020 - \$65,396) and is included in management and general on the combined statement of revenue and expenditures.

A vehicle under capital lease was purchased for \$24,935 and sold during the prior year.

6. INTANGIBLE ASSETS

	2021			2020
	Cost	Accumulated Amortization	Net	Net
Website development	\$ 112,466	\$ -	\$ 112,466	\$ 111,124
Software application	332,289	-	332,289	50,819
	\$ 444,755	\$ -	\$ 444,755	\$ 161,943

The website and software application are still under development as at August 31, 2021.

7. CREDIT FACILITY

The organization has a revolving demand credit facility with a \$200,000 limit of which \$200,000 (2020 - \$200,000) was unused at year end. Interest is calculated at bank prime rate plus 2% per annum and is payable monthly. The security for this operating line includes a general security agreement with first ranking security on all personal property of the organization and a non-revolving lease facility fully drawn in the amount of \$23,485 and a revolving lease line of credit in the amount of \$500,000. Leases are governed by the credit facility agreement and separate lease agreements for which the terms of the separate agreements will take precedence. As at August 31, 2021 three truck leases were entered into under this credit facility as disclosed in (Note 11).

LIVEDIFFERENT
Notes to Combined Financial Statements
Year Ended August 31, 2021

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Accounts payable and accruals	\$ 261,123	\$ 195,159
Government remittances payable	<u>32,271</u>	<u>32,191</u>
	<u>\$ 293,394</u>	<u>\$ 227,350</u>

9. DEFERRED REVENUE

Deferred revenue represents the unexpended portion of designated contributions including grants received that are related to expenditures for subsequent periods as well as monies received for fundraising events scheduled for the next fiscal year.

Changes in the deferred revenue balances are as follows:

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 643,467	\$ 253,876
Contributions received for the year related to the following year	224,576	745,904
Recognized as revenue during the year	<u>(404,973)</u>	<u>(356,313)</u>
Balance, end of year	<u>\$ 463,070</u>	<u>\$ 643,467</u>

Deferred capital contributions represent the unamortized amount of donations and grants received and spent for the purchase of capital assets and intangible assets. The amortization of deferred capital contributions is recorded as revenue in the combined statement of revenue and expenditures. The changes in the deferred capital contributions balance are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,265,663	\$ 1,785,621
Contributions received restricted for Freedom Village building and website development and software application	<u>119,613</u>	<u>480,042</u>
Balance, end of year	<u>\$ 2,385,276</u>	<u>\$ 2,265,663</u>

The organization has received contributions from various donors for the Freedom Village construction project in Haiti, undertaken by the organization to provide living accommodations and programming for young girls who have been victims of exploitation.

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Notes to Combined Financial Statements
Year Ended August 31, 2021

10. CEBA LOAN

	<u>2021</u>	<u>2020</u>
0.00% Canada Emergency Business Account (CEBA) loan	<u>\$ 40,000</u>	<u>\$ -</u>

Government assistance from CEBA loans issued in response to the COVID-19 pandemic are recorded as a liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable. The loan is non-interest bearing, unsecured and is repayable by December 31, 2023. If the organization repays \$40,000 of the loan before December 31, 2023, the remaining balance of \$20,000 is eligible to be forgiven. If the loan is not repaid in full by December 31, 2023, the remaining balance will be converted to a 3 year loan at 5% annual interest, paid monthly, effective January 1, 2024, with payment in full due on December 31, 2025. There is reasonable assurance the organization will repay the loan on or before December 31, 2023 so the loan has been reduced to the expected balance due of \$40,000 and the forgivable portion of \$20,000 has been recorded as government assistance.

11. CAPITAL LEASES PAYABLE

	<u>2021</u>	<u>2020</u>
Vehicle capital leases payable, interest rate 4.79%, repayable in 36 monthly instalments of \$5,699 principal and interest, maturing January 21, 2023, secured by equipment with a net book value of \$244,981 (2020 - \$312,027)	\$ 228,886	\$ 284,834
Computer equipment capital leases payable, interest rate 9.84%, repayable in monthly instalments of \$421 principal and interest, maturing September 1, 2023, secured by equipment with a net book value of \$4,861 (2020 - \$9,348)	<u>4,872</u>	<u>9,120</u>
	233,758	293,954
Current portion payable within one year	<u>63,434</u>	<u>60,200</u>
	<u>\$ 170,324</u>	<u>\$ 233,754</u>

Future minimum lease payments under the capital leases are as follows:

	Minimum Lease payments	Imputed Interest	Total
2022	\$ 63,434	\$ 10,006	\$ 73,440
2023	20,320	2,601	22,921
Residual payment	<u>150,000</u>	<u>-</u>	<u>150,000</u>
	<u>\$ 233,754</u>	<u>\$ 12,607</u>	<u>\$ 246,361</u>

LIVEDIFFERENT
Notes to Combined Financial Statements
Year Ended August 31, 2021

11. CAPITAL LEASES PAYABLE (Continued)

Total interest of \$13,241 (2020 - \$11,470) was paid during the year on the capital leases and is included in presentations/school assemblies expenditures on the combined statement of revenue and expenditures. Sixty days prior to the vehicle lease termination date of January 21, 2023, the organization is required to elect to extend the lease term or either purchase or sell to a third party the vehicles for a purchase price of \$150,000.

12. DONATIONS

Donations by major sources are as follows:

	<u>2021</u>	<u>2020</u>
Foundations	\$ 394,709	\$ 447,603
Municipal government	21,819	40,435
Provincial government	-	11,194
Individuals and other corporate	927,528	1,297,190
Other not for profit organizations	<u>23,015</u>	<u>12,277</u>
	<u>\$ 1,367,071</u>	<u>\$ 1,808,699</u>

Donations by program designation are as follows:

	<u>2021</u>	<u>2020</u>
School presentation/assembly program	\$ 523,366	\$ 978,391
LiveDifferent Builds program	371,843	415,029
LiveDifferent Academy program	-	270
LiveDifferent projects	406,202	294,915
Other projects	<u>65,660</u>	<u>120,094</u>
	<u>\$ 1,367,071</u>	<u>\$ 1,808,699</u>

13. FUNDRAISING AND OTHER

	<u>2021</u>	<u>2020</u>
Fundraising	\$ 1,216	\$ 17,094
Interest income	1,574	48,440
Gain on disposal of capital assets	12,599	15,561
Other	<u>21,060</u>	<u>4,515</u>
	<u>\$ 36,449</u>	<u>\$ 85,610</u>

14. ALLOCATED EXPENDITURES

Wages and benefits were allocated as follows:

	<u>2021</u>	<u>2020</u>
Programs	\$ 744,444	\$ 1,012,237
Management and general	236,922	231,490
Fundraising	<u>69,829</u>	<u>58,394</u>
	<u>\$ 1,051,195</u>	<u>\$ 1,302,121</u>

LIVEDIFFERENT
Notes to Combined Financial Statements
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15. LiveDifferent BUILDS

Included in LiveDifferent Builds are construction costs in the amount of \$Nil (2020 - \$Nil) incurred by LiveDifferent to construct an elementary school in Cap Haiten, Haiti. Cumulative costs paid by LiveDifferent totalled \$412,007 (2020 - \$412,007).

Included in LiveDifferent Builds is a foreign exchange loss of \$6,091 (2020 - \$9,282) and inventory expensed of \$718 (2020 - \$12,488).

16. COMMITMENTS

As at August 31, 2019 the organization entered into a contract with a contractor for the Freedom Village building construction project in Haiti. Total costs payable are estimated at \$1,693,000 \$US (2020 - \$1,373,000 \$US) and construction is expected to be completed in the fiscal year ended August 31, 2022.

LiveDifferent has entered into an agency agreement with a local Foundation in Haiti to undertake staffing the elementary school in Cap Haiten, Haiti which was built by LiveDifferent as disclosed in Note 15. The agreement states that the school will remain in the Foundation's name unless the terms of the contract are breached at which time title to the school will be transferred to another charitable organization within Haiti. Effective September, 2020 LiveDifferent entered into a 20 year agency agreement with the Foundation to support staffing the school. The agreement can be terminated by any party for any reason on 60 day's written notice.

17. FINANCIAL INSTRUMENTS

LiveDifferent is exposed to various risks through its financial instruments. The following analysis provides a measure of LiveDifferent's risk exposure and concentrations at August 31, 2021.

(a) Credit Risk

The organization is exposed to credit risk with respect to its cash and accounts receivable. Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The organization determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive, based on their estimated realizable value. The organization does not have a significant exposure to any individual client. Cash balances are held with a Canadian credit union and a large Canadian chartered bank.

(b) 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 risk, interest rate risk and other price risk. The organization is exposed to interest rate risk and currency risk.

17. FINANCIAL INSTRUMENTS (Continued)

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject it to a cash flow risk. At August 31, 2021 the organization had a variable interest savings account account as described in *Note 2*.

(d) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization holds bank accounts in Canada, Mexico and the Dominican Republic to fund operating expenditures in delivering the LiveDifferent Builds program within developing nations. It holds accounts converted to Canadian dollars at year end and denominated in U.S. dollars of \$18,807 (2020 - \$544,867), Dominican Pesos of \$79 (2020 - \$1,634) and Mexican Pesos of \$1,081 (2020 - \$21,708). As at August 31, 2021, accounts payable totalling \$47,962 (2020 - \$95,143) are denominated in U.S. dollars and converted into Canadian dollars. During the year, the organization's exposure to currency risk increased from the previous year as a result of adding a bank account in Canada denominated in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk. These assets are of a short term nature and management does not believe they represent a significant risk to the organization.

(e) Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its accounts payable and accrued liabilities, CEBA loan and capital leases payable. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities.

There has been no significant change to the risk exposures noted from the prior year other than as disclosed above.

18. IMPACT OF COVID-19

In early March, 2020, the COVID-19 virus was declared a global pandemic and actions were taken by the Canadian government to control the outbreak by enacting emergency measures, including restrictions on public activities, travel and commercial operations. As a result of these preventive measures operations could be severely impacted for months or more. The current situation may lead to adverse changes in cash flows and working capital levels which may also have a direct impact on the organization's operating results and financial position. Management is carefully monitoring the situation continues to take measures to mitigate the effects of the current crisis. No adjustments have been made to these financial statements as a result of this uncertainty. The organization has applied for and received the Canada Emergency Wage Subsidy (CEWS) and a CEBA loan.