

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Financial Statements

Year Ended December 31, 2019

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Index to the Financial Statements
Year Ended December 31, 2019

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Independent Auditor's Report

**To the Directors of
KUWALA CHRISTIAN GIRLS SCHOOL INC.**

Opinion

I have audited the accompanying financial statements of Kuwala Christian Girls School Inc., which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kuwala Christian Girls School Inc. as at December 31, 2019 and its financial performance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Entity in accordance with the 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

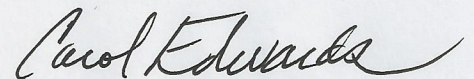
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 Entity'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 Entity'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 Entity 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, include any significant deficiencies in internal control that I identify during my audit.

Winnipeg, Manitoba
July 23, 2020



Carol Edwards
Chartered Professional Accountant

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Statement of Financial Position
As at December 31, 2019

	General Fund	Operating Fund	Capital Fund	2019 Total	2018 Total
ASSETS					
Current					
Cash (note 4)	\$ 25,009	\$ -	\$ -	\$ 25,009	\$ 30,934
Short-term investments (note 5)	-	-	-	-	1,770
Accounts receivable	1,158	-	-	1,156	-
	<u>\$ 26,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,165</u>	<u>\$ 32,704</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 5,671	\$ -	\$ -	\$ 5,672	\$ 5,544
	<u>5,671</u>	<u>-</u>	<u>-</u>	<u>5,672</u>	<u>5,544</u>
Fund balances					
Unrestricted	2,663	-	-	2,663	17,160
Restricted	-	-	17,830	17,830	10,000
	<u>2,663</u>	<u>-</u>	<u>17,830</u>	<u>20,493</u>	<u>27,160</u>
	<u>\$ 8,334</u>	<u>\$ -</u>	<u>\$ 17,830</u>	<u>\$ 26,165</u>	<u>\$ 32,704</u>

See accompanying notes to the financial statements

Approved by:

Director: 

Director: Susan Wiegner

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Statement of Changes in Fund Balances
For the year ended December 31, 2019

				2019	2018
	General Fund	Operating Fund	Capital Fund	Total	Total
Fund balances, beginning of the year	\$ 17,160	\$ -	\$ 10,000	\$ 27,160	\$ 308,767
Excess (deficiency) of revenues over expenditures	187,541	(177,009)	(17,199)	(6,667)	(281,607)
Interfund transfers	(202,038)	177,009	25,029	-	-
Fund balances, end of the year	\$ 2,663	\$ -	\$ 17,830	\$ 20,493	\$ 27,160

See accompanying notes to the financial statements

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Statement of Operations
For the year ended December 31, 2019

				2019	2018
	General Fund	Operating Fund	Capital Fund	Total	Total
Revenues					
Donations - general	\$ 203,766	\$ -	\$ -	\$ 203,766	\$ 185,074
Donations - capital projects	-	-	136,744	136,744	22,000
Donations - sponsorship	-	33,007	-	33,007	36,211
Grant income	-	-	6,000	6,000	-
Fundraising - general	3,069	-	-	3,069	-
Fundraising - capital projects	-	-	327	327	-
Fundraising - sponsorship	-	1,954	-	1,954	-
Dividend income	-	-	-	-	200
Interest income	25	-	-	25	69
	206,860	34,961	143,071	384,892	243,554
Administrative expenditures					
Administration office expenses	304	-	-	304	645
Advertising and promotion	525	-	-	525	6,637
Fundraising expense	748	-	-	748	-
Grant costs	-	-	600	600	-
Interest and bank charges	4,872	-	-	4,872	1,944
Professional fees	11,522	-	-	11,522	9,676
	17,971	-	600	18,571	18,902
Malawi school construction grants					
School construction	-	-	137,959	137,959	361,861
School furnishings	-	-	-	-	17,180
School construction travel expense	-	-	2,699	2,699	5,186
School construction vehicle expenses	-	-	19,012	19,012	15,855
	-	-	159,670	159,670	400,082
Malawi school operating grants					
School operating insurance	-	1,696	-	1,696	-
School operating meals	-	19,018	-	19,018	5,928
School operating office expenses	-	3,409	-	3,409	5,157
School operating registration expenses	-	-	-	-	2,803
School operating repairs and maintenance	-	11,102	-	11,102	250
School operating salaries and benefits	-	137,954	-	137,954	71,008
School operating supplies	-	37,632	-	37,632	15,729
School operating utilities	-	1,159	-	1,159	996
School operating vehicle expenses	-	-	-	-	2,331
	-	211,970	-	211,970	104,202
Total expenditures	17,971	211,970	160,270	390,211	523,186
Excess (deficiency) of revenue over expenditures before other items	188,889	(177,009)	(17,199)	(5,319)	(279,632)
Other revenue and (expenditures)					
Donations to local charities	-	-	-	-	(3,000)
Gains or (losses) on currency exchange	(1,348)	-	-	(1,348)	1,025
	(1,348)	-	-	(1,348)	(1,975)
Excess (deficiency) of revenues over expenditures	\$ 187,541	\$ (177,009)	\$ (17,199)	\$ (6,667)	\$ (281,607)

See accompanying notes to the financial statements

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018
Cash flow from (used for) operating activities		
Cash received from donations, fundraising and grants	\$ 383,711	\$ 243,285
Cash paid for administration services	(18,443)	(15,238)
Cash paid for grants and donations	(372,988)	(506,259)
Interest and dividends received	25	269
Net cash flows (used for) operating activities	(7,695)	(277,943)
Cash flow from (used for) investing activities		
Purchase of short-term investments	-	(171)
Proceeds from sale of short-term investments	1,770	-
Net cash flows (used for) investing activities	1,770	(171)
Increase (decrease) in cash for the year	(5,925)	(278,114)
Cash at the beginning of the year	30,934	309,048
Cash at the end of the year	\$ 25,009	\$ 30,934

See accompanying notes to the financial statements

KUWALA CHRISTIAN GIRLS SCHOOL INC.

Notes to Financial Statements

Year Ended December 31, 2019

1. Purpose of the Organization

Kuwala Christian Girls School Inc. was incorporated on August 9, 2010 under the *Manitoba Corporations Act* as a private foundation under the name of L3M Foundation Inc. L3M Foundation Inc. changed its operating name on March 14, 2018. The Organization is exempt from paying income tax under paragraph 149 (1) of the *Income Tax Act* as a not-for-profit charitable organization.

The purpose of the Organization is to provide financial support to educational and religious based registered charities in Malawi, Africa. Since 2017, the Organization has been supporting the Kuwala Christian Girls Secondary School in Malawi with the goal of empowering girls through Christian-based, meaningful education to equip them for success and strengthen their communities for the present and future generations.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

The Organization follows the restricted fund method of accounting for contributions. The activities carried out by fund are as follows:

General fund

The general fund includes the activities of the Organizations general administration.

Operating fund

The operating fund includes the activities of operating the school in Malawi, including sponsorship income for individual girls attending the school.

Capital fund

The capital fund includes the revenues designated for school construction and related expenditures for the construction of the school facilities in Malawi.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Cash includes cash and cash equivalents and consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Notes to Financial Statements
Year Ended December 31, 2019

2. continued...

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost is determined by the initial purchase price. Tangible capital assets are amortized over their estimated useful lives at applicable rates. The Organization has no tangible capital asset purchases to report in the current or prior years.

Revenue recognition

Unrestricted contributions, including donations and grants, related to general operations are recognized as revenue in the operating fund in the year received or receivable if the amount to be received as revenue can be reasonably estimated and collection is assured.

Restricted contributions, including donations and grants, are recognized as revenue of the appropriate restricted fund.

Sponsorship funds are recognized in the year the funds are received.

Government grants are recorded when there is a reasonable assurance that the Organization has complied with and will continue to comply with, all the necessary conditions of the grant awarded.

Contributed materials and services

The Organization recognizes contributed materials and services in the financial statements when their fair value can be reasonably determined and they are used in the normal course of operations had they otherwise been purchased. There were no contributed materials or services recorded in the current or prior year.

Volunteers provide time to the activities of the Organization and because of the difficulty in assigning values for such services, the value of donated time is not reflected in the financial statements.

Financial Instruments

The Organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are tested for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in net income.

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Notes to Financial Statements
Year Ended December 31, 2019

3. Financial Instruments

The Organization uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk, liquidity risk and market risk.

Credit risk

Credit risks arise from three sources: cash and cash equivalents and accounts receivable. Cash equivalents are deposited with reputable, major financial institutions to limit the credit risk exposure. The credit risk from counter parties not paying accounts receivable is not considered to be significant.

Currency risk

The Organization is exposed to currency risk as it holds and transfers cash funds regularly in U.S. Dollars. These transfers and balances are therefore subject to gains or losses due to fluctuations in exchange rates. The Organization mitigates currency risk by maintaining minimal balances in foreign currencies.

Interest rate risk

The Organization is exposed to interest rate risk with respect to the following financial instruments: cash and cash equivalents and long-term debt obligations. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income and expenses.

Liquidity risk

Liquidity risk exposure is dependent on the receipt of funds from donations, grants and other sources to enable the Organization to pay its liabilities as they become due. The Organization has little exposure to liquidity risk.

Market risk

The Organization has little exposure to market risk.

4. Cash

	2019	2018
CIBC - Canadian dollar chequing	23,814	27,053
CIBC - US dollar savings	1,194	3,881
	<u>\$ 25,008</u>	<u>\$ 30,934</u>

The CIBC US Dollar savings account bears interest at 0% and both accounts are secured up to a maximum of \$100,000 by the Canadian Deposit Insurance Corporation.

5. Short-term investments

	2019	2018
IG Wealth Management - investment account - Canadian dollar	\$ -	\$ 1,600
IG Wealth Management - investment account - US dollar	-	171
	<u>\$ -</u>	<u>\$ 1,771</u>

KUWALA CHRISTIAN GIRLS SCHOOL INC.
Notes to Financial Statements
Year Ended December 31, 2019

6. Restricted funds

The Organization has restricted funds for future capital projects. The current year restricted capital fund balance is comprised of funds designated for completion of the school complex and operating expenses for the greenhouse startup.

Change in restricted capital funds are as follows:

	2019	2018
Balance, beginning of year	\$ 10,000	\$ 287,327
Additions:		
Capital donations - school construction	136,744	12,000
Capital donations - school hot water	-	10,000
Capital fundraising	327	-
Capital grants - greenhouse	6,000	-
	<u>153,071</u>	<u>309,327</u>
Disbursements:		
Malawi school construction	68,906	299,327
Malawi teachers residence	51,165	-
Malawi greenhouse	5,170	-
Malawi school operations	10,000	-
	<u>135,241</u>	<u>299,327</u>
Balance, end of year	<u>\$ 17,830</u>	<u>\$ 10,000</u>

7. Commitments

The Organization has entered into a Memorandum of Understanding (MOU) with Kuwala Christian Girls Secondary School in Malawi, Africa. The MOU sets out the terms of services provided, financial stewardship required, indemnification of the local Organization, and other general provisions. Termination of the agreement by either party, requires 180 days notice. Until the MOU is ratified, both parties continue to operate in the spirit of the terms of the pending agreement.

8. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year presentation.