LIVE DIFFERENT

BRANDON, MANITOBA

COMBINED FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2022

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HGK PARTNERS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Live Different

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, 2022, 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, 2022, 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, (deficiency of) excess revenue over expenditures, and cash flows from operations for the years ended August 31, 2022 and 2021, current assets as at August 31, 2022 and 2021, and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the combined financial statements for the year ended August 31, 2021 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.

LIVE DIFFERENT
Combined Statement of Financial Position
As at August 31, 2022

	2022	2021
ASSETS		
Current		
Cash *(Note 2)*	**$ 226,242**	$ 327,080
Accounts receivable *(Note 3)*	**222,426**	170,602
Note receivable (*Note 4)*	**1,984**	3,025
Inventory	**37,689**	46,542
Prepaid expenditures	**90,536**	77,769
	578,877	625,018
Capital assets *(Note 5)*	**2,579,951**	2,434,468
Intangible assets *(Note 6)*	**495,505**	444,755
	3,075,456	2,879,223
	$ 3,654,333	$ 3,504,241
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(Note 8)*	**$ 152,491**	$ 293,394
Deferred revenue *(Note 9)*	**599,047**	463,070
Current portion of capital leases payable *(Note 11)*	**170,336**	63,434
	921,874	819,898
CEBA loan *(Note 10)*	**40,000**	40,000
Deferred capital contributions *(Note 9)*	**2,671,439**	2,385,276
Capital leases payable *(Note 11)*	**-**	170,324
	2,711,439	2,595,600
	3,633,313	3,415,498
NET ASSETS		
Unrestricted net assets	**21,020**	88,743
	$ 3,654,333	$ 3,504,241

Commitments *(Note 16)*

On behalf of the Board:

_______________ Director

_______________ Director

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Changes in Net Assets
Year Ended August 31, 2022

	Unrestricted Net Assets (Deficiency)
	2022
Balance, beginning of year	**$ 88,743**
Deficiency of revenue over expenditures	**(67,723)**
Balance, end of year	**$ 21,020**

	2021
Balance, beginning of year	$ (84,027)
Excess of revenue over expenditures	172,770
Balance, end of year	$ 88,743

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Revenue and Expenditures
Year Ended August 31, 2022

	2022	2021
Revenue		
School presentation/assembly program fees	$ **67,200**	$ 83,475
LiveDifferent Builds program fees	**80,427**	9,039
Federal government wage subsidy *(Note 3)*	**192,637**	471,791
Federal government - forgivable portion of CEBA loan *(Note 10)*	**-**	20,000
Donations *(Note 12)*	**1,775,666**	1,367,071
Fundraising and other *(Note 13)*	**21,779**	36,449
Other grant revenue	**-**	18,436
	2,137,709	2,006,261
Expenditures *(Note 14)*		
Programs		
LiveDifferent Builds *(Note 15)*	**663,029**	487,551
LiveDifferent Academy	**22,355**	11,828
Presentations/school assemblies *(Note 11)*	**561,991**	566,725
LiveDifferent projects	**486,682**	449,805
Other projects	**-**	18,436
	1,734,057	1,534,345
Management and general *(Note 5)*	**297,992**	203,612
Fundraising	**173,383**	95,534
	2,205,432	1,833,491
(DEFICIENCY OF) EXCESS OF REVENUE OVER EXPENDITURES	**$ (67,723)**	$ 172,770

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Cash Flows
Year Ended August 31, 2022

	2022	2021
OPERATING ACTIVITIES		
(Deficiency of) excess revenue over expenditures	**$ (67,723)**	$ 172,770
Expenditures not requiring a cash outlay:		
Amortization	**95,180**	95,292
Gain on disposal of capital assets	**-**	(12,599)
Forgiveable portion of CEBA loan	**-**	(20,000)
	27,457	235,463
(Increase) decrease in accounts receivable	**(51,824)**	31,109
(Increase) decrease in interest receivable	**-**	15,709
(Increase) decrease in inventory - materials	**8,853**	(17,867)
(Increase) decrease in prepaid expenditures	**(12,766)**	20,557
Increase (decrease) in accounts payable and accrued liabilities	**(140,903)**	66,044
Increase (decrease) in deferred revenue	**135,977**	(180,397)
	(60,663)	(64,845)
Net cash provided by (used for) operating activities	**(33,206)**	170,618
INVESTING ACTIVITIES		
Issue of note receivable	**(5,391)**	(1,430)
Proceeds on repayment of note receivable	**6,432**	11,809
Acquisition of capital assets	**(240,663)**	(985,668)
Acquisition of intangible assets	**(50,751)**	(282,811)
Proceeds on disposition of capital assets	**-**	14,485
Net cash provided by (used for) investing activities	**(290,373)**	(1,243,615)
FINANCING ACTIVITIES		
Issue of CEBA loan	**-**	60,000
Repayment of capital leases payable	**(63,422)**	(60,197)
Contributions restricted for capital asset and intangible asset purchases	**286,163**	119,613
Net cash provided by (used for) financing activities	**222,741**	119,416
Increase (decrease) in cash	**(100,838)**	(953,581)
Cash, beginning of year	**327,080**	1,280,661
Cash, end of year	**$ 226,242**	$ 327,080

(See Accompanying Notes)

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 financial liabilities originated or exchanged in arm's length transactions at fair value. Transaction costs related to financial assets that will be subsequently measured at fair value are recognized in the statement of operations and changes in net assets in the year in which they are incurred.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

The organization subsequently measures all its financial assets and liabilities at cost or amortized cost less impairment. 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. The organization holds no related party financial assets or liabilities at year end.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial Instruments (Continued)

(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 (deficiency of) excess 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 (deficiency of) excess revenue over expenditures.

(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:

Wesbsite 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.

2. CASH

	2022	2021
Cash	$ **225,013**	$ 327,080
Cash - high yield savings account	**1,229**	-
	$ **226,242**	$ 327,080

3. ACCOUNTS RECEIVABLE

	2022	2021
Program receivables	$ **37,005**	$ 56,407
Federal government wage subsidies	**12,972**	76,583
Harmonized Sales Tax (HST) recoverable	**20,506**	20,281
Donations	**151,943**	17,331
	$ **222,426**	$ 170,602

The organization received subsidies under the Hardest-Hit Business Recovery Program (HHBRP) and CEWS (2021 - Canada Emergency Wage Subsidy (CEWS)) for the subsidization of employee wages due to COVID-19. The measurement of wage subsidies receivable is subject to uncertainty as the 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 September 1, 2022. It is unsecured and non-interest bearing with no set terms of repayment.

5. CAPITAL ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net	Net
Land - Freedom Village	$ 65,263	$ -	$ **65,263**	$ 65,263
House	123,187	50,590	**72,597**	77,524
Building under construction - Freedom Village	2,218,301	-	**2,218,301**	1,989,939
Vehicles	112,229	83,787	**28,442**	39,413
Vehicles under capital lease	351,137	173,201	**177,936**	244,981
Office furniture and equipment	27,111	25,847	**1,264**	1,453
Computer equipment	46,586	30,812	**15,774**	11,034
Computer equipment under capital lease	13,461	13,087	**374**	4,861
	$ 2,957,275	$ 377,324	$ **2,579,951**	$ 2,434,468

5. CAPITAL ASSETS (Continued)

Amortization expense for the fiscal year ended August 31, 2022 was $95,180 (2021 - $95,292) and is included in management and general on the combined statement of revenue and expenditures.

6. INTANGIBLE ASSETS

	2022			2021
	Cost	**Accumulated Amortization**	**Net**	Net
Website development	$ 112,466	$ -	**$ 112,466**	$ 112,466
Software application	383,039	-	**383,039**	332,289
	$ 495,505	$ -	**$ 495,505**	$ 444,755

The website and software application are still under development as at August 31, 2022.

7. CREDIT FACILITY

The organization has a revolving demand credit facility with a $200,000 limit of which $200,000 (2021 - $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, 2022 three truck leases are held under this credit facility as disclosed in *(Note 11)*.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable and accruals	**$ 121,597**	$ 261,123
Government remittances payable	**30,894**	32,271
	$ 152,491	$ 293,394

9. DEFERRED REVENUE AND DEFERRED CAPITAL CONTRIBUTIONS

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:

	2022	2021
Deferred revenue, beginning of year	**$ 463,070**	$ 643,467
Contributions received for the year	**433,954**	224,576
Recognized as revenue during the year	**(297,977)**	(404,973)
Balance, end of year	**$ 599,047**	$ 463,070

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:

	2022	2021
Balance, beginning of year	**$ 2,385,276**	$ 2,265,663
Contributions received restricted for Freedom Village building and website development and software application	**286,163**	119,613
Balance, end of year	**$ 2,671,439**	$ 2,385,276

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.

10. CEBA LOAN

	2022	2021
0.00% Canada Emergency Business Account (CEBA) loan	**$ 40,000**	$ 40,000

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

	2022	2021
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 $177,936 (2021 - $244,981)	**$ 170,196**	$ 228,886
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 $374 (2021 - $4,861)	**140**	4,872
	170,336	233,758
Current portion payable within one year	**170,336**	63,434
	$ -	$ 170,324

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

	Minimum Lease payments	Imputed Interest	**Total**
2023 -	$ 20,336	$ 2,601	$ 22,921
Residual payment	150,000	-	150,000
	$ 170,336	$ 2,601	$ 172,921

Total interest of $10,007 (2021 - $13,241) 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:

	2022	2021
Foundations	**$ 1,044,276**	$ 394,709
Municipal government	**-**	21,819
Individuals and other corporate	**689,531**	927,528
Other not for profit organizations	**41,859**	23,015
	$ 1,775,666	$ 1,367,071

	2022	2021
School presentation/assembly program	**$ 586,495**	$ 523,366
LiveDifferent Builds program	**204,111**	371,843
LiveDifferent projects	**248,738**	406,202
Other projects	**736,322**	65,660
	$ 1,775,666	$ 1,367,071

13. FUNDRAISING AND OTHER

	2022	2021
Fundraising	**$ 11,410**	$ 1,216
Interest income	**1,234**	1,574
Gain on disposal of capital assets	**-**	12,599
Other	**9,135**	21,060
	$ 21,779	$ 36,449

14. ALLOCATED EXPENDITURES

Wages and benefits were allocated as follows:

	2022	2021
Programs	**$ 830,090**	$ 744,444
Management and general	**289,619**	236,922
Fundraising	**23,382**	69,829
	$ 1,143,091	$ 1,051,195

15. LiveDifferent BUILDS

Included in LiveDifferent Builds is a foreign exchange (gain) loss of $(16,443) (2021 - $6,091) and inventory expensed of $5,878 (2021 - $718).

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 $1,800,000 $US (2021 - $1,693,000 $US) and construction is expected to be completed in the fiscal year ended August 31, 2023.

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, 2022.

(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 currency risk.

17. FINANCIAL INSTRUMENTS (Continued)

(c) 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 bank accounts converted to Canadian dollars at year end for which the accounts are denominated in U.S. dollars of $40,565 (2021 - $18,807), Dominican Pesos of $422 (2021 - $79), Mexican Pesos of $8,551 (2021 - $1,081) and Haitian Gourde of $7,567 (2021 - $Nil). As at August 31, 2022, accounts payable totalling $7,567 (2021 - $47,962) 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.

(d) 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.