LIVE DIFFERENT

HAMILTON, ONTARIO

COMBINED FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

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HGK PARTNERS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Live Different

We have audited the accompanying combined financial statements of Live Different, which comprise the combined statement of financial position as at August 31, 2017, and the combined statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
In common with many not for profit organizations, Live Different derives a portion of its revenue from donations from the public and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of this revenue was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether, as at and for the years ended August 31, 2017 and August 31, 2016, any adjustments might be necessary to revenue, excess (deficiency of) revenue over expenditures reported on the combined statement of revenue and expenditures, excess (deficiency of) revenue over expenditures reported on the combined statement of cash flows, and current assets and unrestricted net assets reported on the combined statement of financial position. This caused us to qualify our audit opinion on the combined financial statements as at and for the year ended August 31, 2016.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, these combined financial statements present fairly, in all material respects, the financial position of Live Different as at August 31, 2017 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.

HAMILTON, ONTARIO
January 29, 2018

HGK PARTNERS LLP
Chartered Professional Accountants
Licensed Public Accountants

LIVE DIFFERENT
Combined Statement of Financial Position
As at August 31, 2017

	2017	2016
ASSETS		
Current		
Cash	**$ 40,058**	$ 43,301
Accounts receivable *(Note 2)*	**86,682**	37,270
Note receivable - current portion (*Note 3)*	**5,000**	5,000
Inventory - materials	**9,885**	8,138
Prepaid expenditures	**40,888**	11,876
	182,513	105,585
Note receivable *(Note 3)*	**44,404**	25,925
Capital assets *(Note 4)*	**214,243**	151,172
	258,647	177,097
	$ 441,160	$ 282,682
LIABILITIES		
Current		
Demand loan *(Note 5)*	**$ 20,000**	$ 145,000
Accounts payable and accrued liabilities *(Note 6)*	**97,226**	117,831
Deferred revenue *(Note 7)*	**270,315**	45,264
Current portion of loans payable *(Note 8)*	**1,254**	20,553
Current portion of capital leases payable *(Note 9)*	**15,225**	-
	404,020	328,648
Loans payable *(Note 8)*	**-**	1,360
Capital leases payable *(Note 9)*	**55,733**	-
	55,733	1,360
	459,753	330,008
NET ASSETS		
Unrestricted net assets (deficiency)	**(18,593)**	(47,326)
	$ 441,160	$ 282,682

Commitments *(Note 12)*

On behalf of the Board:

______________________________ Director

______________________________ Director

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Changes in Net Assets
Year Ended August 31, 2017

	Unrestricted Net Assets (Deficiency)
	2017
Balance, beginning of year	**$ (47,326)**
Excess of revenue over expenditures	**28,733**
Balance, end of year	**$ (18,593)**
	2016
Balance, beginning of year	$ 14,413
Deficiency of revenue over expenditures	(61,739)
Balance, end of year	$ (47,326)

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Revenue and Expenditures
Year Ended August 31, 2017

	2017	2016
Revenue		
School programs fees	**$ 316,296**	$ 193,792
Live Different Builds program fees	**165,863**	212,178
Live Different Academy program fees	**28,160**	15,565
Donations *(Note 10)*	**2,025,245**	2,112,102
Fundraising and other	**19,368**	36,214
Other grant revenue *(Note 7)*	**5,678**	-
	2,560,610	2,569,851
Expenditures		
Programs		
Live Different Projects *(Notes 8 & 11)*	**1,218,963**	1,390,210
Live Different Academy	**48,141**	52,609
Presentations/school assemblies *(Note 9)*	**518,108**	456,196
Live Different projects	**313,604**	306,014
Other projects *(Note 7)*	**5,678**	-
	2,104,494	2,205,029
Management and general *(Notes 4 & 8)*	**427,173**	419,977
Fundraising	**210**	6,584
	2,531,877	2,631,590
EXCESS (DEFICIENCY OF) REVENUE OVER EXPENDITURES	**$ 28,733**	$ (61,739)

(See Accompanying Notes)

LIVE DIFFERENT
Combined Statement of Cash Flows
Year Ended August 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	**$ 28,733**	$ (61,739)
Expenditures not requiring a cash outlay:		
Amortization	**45,957**	52,665
Gain on disposal of capital assets	**-**	(5,656)
	74,690	(14,730)
(Increase) decrease in accounts receivable	**(49,412)**	7,937
(Increase) decrease in inventory - materials	**(1,747)**	5,564
(Increase) decrease in prepaid expenditures	**(29,011)**	21,719
Increase (decrease) in accounts payable and accrued liabilities	**(20,605)**	43,537
Increase (decrease) in deferred revenue	**225,051**	(59,492)
	124,276	19,265
Net cash provided by (used for) operating activities	**198,966**	4,535
INVESTING ACTIVITIES		
Issue of note receivable	**(23,479)**	(30,925)
Proceeds on repayment of note receivable	**5,000**	-
Acquisition of capital assets	**(27,144)**	(41,190)
Net cash provided by (used for) investing activities	**(45,623)**	(72,115)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**(125,000)**	70,000
Repayment of loans payable	**(20,659)**	(26,751)
Repayment of capital lease payable	**(10,927)**	-
Net cash provided by (used for) financing activities	**(156,586)**	43,249
Increase (decrease) in cash	**(3,243)**	(24,331)
Cash, beginning of year	**43,301**	67,632
Cash, end of year	**$ 40,058**	$ 43,301
Non-cash financing and investing activity:		
Vehicle and equipment acquired by means of capital leases	**$ 81,885**	$ -

(See Accompanying Notes)

Live Different 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 Live Different 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 Live Different in order to purchase a house in Mexico and open a bank account to enable Live Different to carry out its various charitable activities or projects outside Canada. It is controlled by Live Different as the majority of Board members are also Board members of Live Different and it is entirely managed by staff of Live Different.

Live Different exists to inspire a lifestyle that cares for people, not stuff. 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 Live Different 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 Live Different 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-arms 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 demand loan, accounts payable and accrued liabilities and loans payable.

(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.

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 - Materials

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

(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 years
Office furniture and equipment	-	5 years
Computer equipment	-	3 years

(d) Assets Under Capital Leases

Assets under capital leases are accounted for at cost. The cost corresponds to the present value of the minimum lease payments. Amortization is based on the straight-line basis over the estimated useful life of the assets using the rate as indicated.

Vehicles	-	3 years
Computer equipment	-	3 years

(e) Revenue Recognition

The organization follows the deferral method of accounting for donations. Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue Recognition (Continued)

Fees related to the Live Different 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 investment revenue are recognized as revenue when earned.

(f) 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.

(g) 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.

(h) 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 amortization period for capital assets. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

2. ACCOUNTS RECEIVABLE

	2017	2016
Program receivables	**$ 56,392**	$ 22,887
Harmonized Sales Tax (HST) recoverable	**23,250**	7,570
Other	**7,040**	6,813
	$ 86,682	$ 37,270

3. NOTE RECEIVABLE

The note receivable is from an employee of the organization and is due August 31, 2021 with monthly payments of $1,000 beginning April, 2017. It is unsecured and non-interest bearing.

4. CAPITAL ASSETS

	2017			2016
	Cost	**Accumulated Amortization**	**Net**	Net
House	$ 123,187	$ 25,953	**$ 97,234**	$ 102,162
Vehicles	192,499	167,235	**25,264**	38,558
Vehicle under capital lease	73,298	14,252	**59,046**	-
Office furniture and equipment	38,439	25,298	**13,141**	8,759
Computer equipment	20,275	12,449	**7,826**	1,693
Computer equipment under capital lease	12,799	1,067	**11,732**	-
	$ 460,497	$ 246,254	**$ 214,243**	$ 151,172

Amortization expense for the fiscal year ended August 31, 2017 was $45,957 (2016 - $52,665) and is included in management and general on the combined statement of revenue and expenditures.

5. DEMAND LOAN

The organization has a revolving demand credit facility with a $200,000 limit of which $180,000 (2016 - $55,000) 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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable	**$ 81,216**	$ 105,521
Government remittances payable	**16,012**	12,310
	$ 97,228	$ 117,831

7. 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.

During the fiscal year ended August 31, 2017 the organization entered into an agreement with the Ontario Trillium Foundation (OTF) and a not for profit organization, Helping Hands. Under the Youth Opportunities Fund Program grant, a total of $210,000 is to be received over 36 months with $70,000 to be received annually commencing March 30, 2017. The funds are to be used by Helping Hands for delivering a project at the idea or conceptual stage to offer volunteer training workshops to increase volunteer opportunities and engagement in Halton-Peel's social services sector. As at August 31, 2017 $35,000 was received of which $29,322 is reported in deferred revenue on the combined statement of financial position and $5,678 is reported as other grant revenue and $5,678 and other project expenses on the combined statement of revenue and expenditures.

8. LOANS PAYABLE

	2017	2016
0.00% mortgage payable, secured by the house located in Mexico, monthly principal payments of $1,000 U.S., maturing September, 2017	**$ 1,254**	$ 17,563
0.00% loan payable, unsecured, monthly principal payments of $272, maturing March, 2017	**-**	1,629
4.00% loan payable, unsecured, monthly principal payments of $680, maturing August, 2017	**-**	2,721
	1,254	21,913
Current portion	**1,254**	20,553
	$ -	$ 1,360

Total interest of $25 (2016 - $290) was paid during the year on the debt and is included in management and general on the statement of revenue and expenditures. Included in Live Different Projects on the combined statement of revenue and expenditures is a foreign exchange loss in the amount of $345 (2016 - $783) related to the mortgage payable.

9. CAPITAL LEASES PAYABLE

	2017	2016
Vehicle capital lease payable, interest rate 3.98%, repayable in 36 monthly instalments of $1,449 principal and interest, maturing January 12, 2020, secured by equipment with a net book value of $59,046 (2016 - $Nil)	**$ 61,423**	$ -
Computer equipment capital lease payable, interest rate 4.73%, repayable in monthly instalments of $318 principal and interest, maturing April 1, 2020, secured by equipment with a net book value of $11,732 (2016 - $Nil)	**9,535**	-
	70,958	-
Current portion payable within one year	**15,225**	-
	$ 55,733	$ -

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

	Principal	Interest	**Total**
2018 -	$ 18,657	$ 2,547	$ 21,204
2019 -	19,440	1,764	21,204
2020 -	32,861	421	33,282
	$ 70,958	$ 4,732	$ 75,690

Total interest of $1,940 (2016 - $Nil) 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.

10. DONATIONS

Donations by major sources are as follows:

	2017	2016
Foundations	**$ 398,645**	$ 295,160
Individuals and other corporate	**1,404,240**	958,000
Other not for profit organizations	**222,360**	858,942
	$ 2,025,245	$ 2,112,102

11. LIVE DIFFERENT BUILDS

Included in Live Different Projects are construction costs in the amount of $55,228 (2016 - $123,415) incurred by Live Different to construct an elementary school in Cap Haiten, Haiti. Cumulative costs paid to date by Live Different total $356,541 (2016 - $301,313). Live Different has entered into an agency agreement ending in May 2019, with a local Foundation to undertake staffing the school and educating children up to Grade 6. 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.

12. COMMITMENTS

Future minimum lease payments (excluding Harmonized Sales Tax) under premises operating leases are as follows:

August 31, 2018	-	$	35,200
August 31, 2019	-		49,338
August 30, 2020	-		65,929
August 31, 2021	-		30,263
August 31, 2022	-		30,868
Thereafter	-		15,587
		$	227,185

13. FINANCIAL INSTRUMENTS

Live Different is exposed to various risks through its financial instruments. The following analysis provides a measure of Live Different’s risk exposure and concentrations at August 31, 2017.

(a) Credit Risk

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.

(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.

(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, 2017 the organization had a variable interest demand loan as described in *Note 5* and a fixed interest loan payable as described in *Note 8*.

13. FINANCIAL INSTRUMENTS (Continued)

(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 two U.S. bank accounts in the amount of $6,753 (2016 - $17,146) to fund operating expenditures denominated in U.S. dollars in delivering the Live Different Builds program within developing nations. 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. In addition, the organization has a U.S. dollar mortgage on a house located in Mexico, as described in *Note 8*, used in delivering the Live Different Builds program.

(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 demand loan, accounts payable and accrued liabilities, loans payable 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 change to the risk exposures noted above from the prior year.