

CORNWALL ALTERNATIVE SCHOOL INC.

REGINA, SASKATCHEWAN

**FINANCIAL STATEMENTS
AS AT MARCH 31, 2020**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **Cornwall Alternative School Inc.** have been prepared by the Organization's management in accordance with Canadian accounting standards for non-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The board of directors has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.



David Halvorsen
Chairperson



Eunice Cameron
Principal/CEO

INDEPENDENT AUDITORS' REPORT



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

**To the Board of Directors,
Cornwall Alternative School Inc.**

Qualified Opinion

We have audited the financial statements of **Cornwall Alternative School Inc.**, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization Organization as at March 31, 2020, and its financial performance and 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 non-profit organizations, the Organization derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue was limited to accounting for amounts recorded in the records of the Organization. As a result, we were not able to determine whether any adjustments might be necessary in respect of revenues, assets, liabilities or net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial statements in Saskatchewan, 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 opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Canadian accounting standards for not for profit organizations, 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 Organization'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.

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INDEPENDENT AUDITORS' REPORT continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

June 17, 2020
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants




CORNWALL ALTERNATIVE SCHOOL INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(with comparative figures for 2019)

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2020</u>	<u>Total 2019</u> (Note 9)
ASSETS				
Current assets				
Cash	\$ 215,506	\$ -	\$ 215,506	\$ 48,436
Term deposits	186,822	-	186,822	421,438
Accounts receivable	12,772	-	12,772	18,993
Interfund receivable (payable)	(131,385)	131,385	-	-
Prepaid expenses	9,790	-	9,790	14,675
	<u>293,505</u>	<u>131,385</u>	<u>424,890</u>	<u>503,542</u>
Tangible capital assets (Note 3)	<u>-</u>	<u>336,447</u>	<u>336,447</u>	<u>351,170</u>
	<u>\$ 293,505</u>	<u>\$ 467,832</u>	<u>\$ 761,337</u>	<u>\$ 854,712</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 57,198	\$ -	\$ 57,198	\$ 70,747
Deferred revenue	-	-	-	1,140
	<u>57,198</u>	<u>-</u>	<u>57,198</u>	<u>71,887</u>
FUND BALANCES				
Invested in tangible capital assets	-	336,447	336,447	351,170
Internally restricted (Note 5)	<u>236,307</u>	<u>131,385</u>	<u>367,692</u>	<u>431,655</u>
	<u>236,307</u>	<u>467,832</u>	<u>704,139</u>	<u>782,825</u>
	<u>\$ 293,505</u>	<u>\$ 467,832</u>	<u>\$ 761,337</u>	<u>\$ 854,712</u>

See accompanying notes to the financial statements.

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

CORNWALL ALTERNATIVE SCHOOL INC.
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

	Operating fund	Capital fund	Total 2020	Total 2019 (Note 9)
Balance - beginning of year	\$ 300,269	\$ 482,556	\$ 782,825	\$ 883,435
Prior period adjustment (Note 9)	-	-	-	(55,696)
Restated opening balance	300,269	482,556	782,825	827,739
Deficiency of revenue over expenses	(61,554)	(17,134)	(78,688)	(44,914)
Investment in tangible capital assets	(2,410)	2,410	-	-
Balance - end of year	<u>\$ 236,305</u>	<u>\$ 467,832</u>	<u>\$ 704,137</u>	<u>\$ 782,825</u>

See accompanying notes to the financial statements.

CORNWALL ALTERNATIVE SCHOOL INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

	<u>Operating</u> <u>Fund</u>	<u>Capital</u> <u>Fund</u>	<u>Total</u> <u>2020</u>	<u>Total</u> <u>2019</u>
Revenue				
Grants - Sask Learning	\$ 761,000	\$ -	\$ 761,000	\$ 761,000
Grants - United Way	108,125	-	108,125	108,124
Donations and fundraising	26,705	-	26,705	33,169
Other	6,161	891	7,052	11,740
	<u>901,991</u>	<u>891</u>	<u>902,882</u>	<u>914,033</u>
Expenses				
Advertising and promotion	1,280	-	1,280	1,233
Amortization	-	18,025	18,025	19,036
Automotive	12,185	-	12,185	10,349
Bank charges and interest	914	-	914	494
Building supplies and repairs	8,929	-	8,929	12,534
Education	46,633	-	46,633	47,787
Equipment repairs	5,347	-	5,347	6,878
Food services	24,750	-	24,750	23,813
Insurance	11,885	-	11,885	12,177
Office and general	3,573	-	3,573	4,203
Professional fees	7,096	-	7,096	6,836
Staff development	13,891	-	13,891	14,594
Utilities	28,816	-	28,816	28,335
Wages and benefits	798,246	-	798,246	770,678
	<u>963,545</u>	<u>18,025</u>	<u>981,570</u>	<u>958,947</u>
Deficiency of revenue over expenses	<u>\$ (61,554)</u>	<u>\$ (17,134)</u>	<u>\$ (78,688)</u>	<u>\$ (44,914)</u>

See accompanying notes to the financial statements.

CORNWALL ALTERNATIVE SCHOOL INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ (78,688)	\$ (44,914)
Items not affecting cash:		
- Amortization of tangible capital assets	18,025	19,036
	(60,663)	(25,878)
Non-cash operating working capital:		
Accounts receivable	6,221	(426)
Prepaid expenses	4,885	1,842
Accounts payable	(13,547)	(1,764)
Deferred revenue	(1,140)	(1,395)
	(64,244)	(27,621)
Cash provided by (used in) investing activities:		
Additions to tangible capital assets	(5,802)	(7,032)
Proceeds on disposal of tangible capital assets	2,500	-
Additions to investments	-	(6,127)
Proceeds on disposal of investments	234,616	-
	231,314	(13,159)
Increase (Decrease) in cash during the year	167,070	(40,780)
Cash position - beginning of year	48,436	89,216
Cash position - end of year	\$ 215,506	\$ 48,436

See accompanying notes to the financial statements.

CORNWALL ALTERNATIVE SCHOOL INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

1. Description of operations

Cornwall Alternative School Inc. (the "Organization") is a not-for-profit organization incorporated under the *Non-profit Corporations Act, 1995* in Saskatchewan. The Organization offers an alternative student-centered education to grade 7 to 10 students who are at risk in a traditional educational setting. As a non-profit organization, the Organization is exempt from income tax under Section 149(l) of the *Income Tax Act*.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions and maintains two funds:

- a) Operating Fund: The operating fund reflects the primary operations and administration of the school.
- b) Capital Fund: The capital fund reports the revenues and expenses related to management of the school's investment in tangible capital assets.

Financial instruments - recognition and measurement

Financial assets and financial liabilities are recorded on the statement of financial position when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value improves.

CORNWALL ALTERNATIVE SCHOOL INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

2. Significant accounting policies (continued)

Term deposits

Term deposits are recorded at cost. The term deposits bear interest at rates of 0.55% to 2.00%, with maturities ranging from June 2020 to February 2021.

Tangible capital assets

Tangible assets are recorded at cost less accumulated amortization. Amortization is provided on the diminishing balance basis over the estimated useful life of the assets at the following annual rates:

Buildings	4 %
Equipment	20 %
Automotive equipment	30 %
Computer equipment	30 %

Revenue recognition

Grant funding is recognized as revenue during the period to which the funding agreement applies. Donations, fundraising and other revenues are recognized when the funds are received.

Unrestricted contributions are recognized in the operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the operating fund in the year the related expenses are incurred.

Donations in kind

Donations of materials and services are recorded at fair market value when received, if the amount can be reasonably estimated.

3. Tangible capital assets

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 30,000	\$ -	\$ 30,000	\$ 30,000
Buildings	539,336	255,256	284,080	295,917
Equipment	50,692	35,167	15,525	16,784
Automotive equipment	80,988	76,943	4,045	6,077
Computer equipment	3,817	1,020	2,797	2,392
	\$ 704,833	\$ 368,386	\$ 336,447	\$ 351,170

CORNWALL ALTERNATIVE SCHOOL INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

4. Credit facilities

The Organization has an authorized line of credit of \$25,000 bearing interest at prime plus 2%. A general security agreement covering land and buildings with a net book value of \$314,080 is pledged as collateral. At year end, the amount outstanding was \$nil (2019 - \$nil).

5. Internally restricted funds

The internally restricted operating fund has been set aside as a contingency fund against any future funding shortfalls, and is supported by term deposits. It is the intention of management to set aside enough funds to cover up to six months of operations.

The internally restricted capital fund consists of amounts set aside for vehicle replacement, building repairs and equipment.

	Balance beginning of year (Note 9)	Transfer from unrestricted fund	Transfer to unrestricted fund	Balance end of year
Operating contingency fund	\$ 295,201	\$ -	\$ (63,965)	\$ 231,236
Professional development fund	5,069	-	-	5,069
Total internally restricted fund - operating	<u>\$ 300,270</u>	<u>\$ -</u>	<u>\$ (63,965)</u>	<u>\$ 236,305</u>
Vehicle replacement fund	\$ 23,218	\$ -	\$ -	\$ 23,218
Building repair fund	59,828	-	-	59,828
Computer replacement fund	36,774	-	-	36,774
Sports equipment	2,003	-	-	2,003
Other equipment	9,562	-	-	9,562
Total internally restricted fund - capital	<u>\$ 131,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,385</u>

CORNWALL ALTERNATIVE SCHOOL INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(with comparative figures for the year ended March 31, 2019)

6. Economic dependence

The Organization currently receives significant grant revenue from the Ministry of Education. As a result, the Organization is dependant upon the continuance of these grants to maintain operations at their current level.

7. Financial risk management

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risk to which the Organization is exposed is:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk on the accounts receivable, however, does not have a significant exposure to any individual customer or counterpart. The Organization incurred insignificant bad debt expense during the past three years.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the receipt of funds from its operations, and funding grants. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Organizations financial obligations.

8. Subsequent event

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. The Organization is following health advisories and mandatory requirements from local, provincial and national health and government organizations. On March 20, 2020, the Organization closed its facilities to help protect the health and safety of the public during the pandemic, but continues to deliver education services to students through other methods. It is unknown when the facility will re-open. The impact of the pandemic on the organization's operations and finances, if any, is unknown at this time.

9. Correction of prior period error

During the year, it was determined that expenses for salaries earned by employees during the school year, but to be paid during the summer, had not been accrued in prior years. As a result, \$55,696 was recorded as a reduction in the opening fund balances as at April 1, 2018. There was no impact on the 2019 comparative figures.