FIRST STEPS ELEMENTARY ACADEMY

FINANCIAL STATEMENTS

AUGUST 31, 2025

FIRST STEPS ELEMENTARY ACADEMY

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Pivotal LLP
#201, 33 McKenzie Crescent
Red Deer County, Alberta
T4S 2H4

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
First Steps Elementary Academy

Qualified Opinion

We have audited the accompanying financial statements of First Steps Elementary Academy (the "Academy") which comprise the statement of financial position as at August 31, 2025, and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of the Academy as at August 31, 2025, and the results of its 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, the Academy derives revenue from fundraising activities, 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 the Academy. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations.

In addition, the Academy has a balance receivable from a related company. We were unable to obtain sufficient appropriate audit evidence to conclude on the collectibility of this amount. Consequently, we were unable to determine whether any adjustments might be necessary to the related-party receivable, bad debt expense and excess of revenues over expenses.

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 Financial Statements* section of our report. We are independent of the Academy in accordance with the ethical requirements that are relevant to our audit of the 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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statements, which indicates that the Academy incurred a net loss of $20,584 during the year ended August 31, 2025. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Academy's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 Academy'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 Academy or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' 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 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 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 Academy'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 Academy'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 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 Academy 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 timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pivotal LLP

Red Deer County, Alberta
November 25, 2025

Chartered Professional Accountants

FIRST STEPS ELEMENTARY ACADEMY

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2025

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ **4,449**	$ 3,234
Accounts receivable	**4,860**	2,577
Prepaid expenses and deposits	**-**	5,315
	9,309	11,126
DUE FROM FIRST STEPS & BEYOND INC. (Note 3)	**61,708**	40,677
	$ **71,017**	$ 51,803
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ **14,422**	$ 12,102
Government remittances payable	**16,610**	3,713
Deferred revenue (Note 4)	**14,865**	9,284
Due to Kalsa Oilfield Service Corp. (Note 3)	**19,000**	-
	64,897	25,099
NET ASSETS		
UNRESTRICTED NET ASSETS	**6,120**	26,704
	$ **71,017**	$ 51,803

On Behalf of the Board of Directors:

______________________________ Director

______________________________ Director

See accompanying notes to financial statements

FIRST STEPS ELEMENTARY ACADEMY

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2025

	Unrestricted Net Assets	**Total 2025**	Total 2024
Balance, beginning of year	$ 26,704	**$ 26,704**	$ -
Excess (deficiency) of revenues over expenses	(20,584)	**(20,584)**	26,704
Balance, end of year	$ 6,120	**$ 6,120**	$ 26,704

See accompanying notes to financial statements

FIRST STEPS ELEMENTARY ACADEMY

STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2025

	2025	2024
REVENUE		
Alberta Education (Note 5)	$ **189,737**	$ 148,609
Fundraising revenue	**611**	1,309
Program fees	**171,245**	143,394
	361,593	293,312
EXPENSES		
Advertising and promotion	**7,074**	2,078
Interest and bank charges	**357**	147
Licenses, fees and dues	**495**	1,196
Materials	**14,248**	14,710
Office	**1,746**	2,125
Professional fees	**10,518**	12,000
Rent (Note 3)	**65,604**	46,278
Wages and benefits	**282,393**	188,213
	382,435	266,747
EXCESS (DEFICIENCY) OF REVENUES BEFORE THE FOLLOWING	**(20,842)**	26,565
INTEREST INCOME	**258**	139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ **(20,584)**	$ 26,704

FIRST STEPS ELEMENTARY ACADEMY

STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2025

	2025	2024
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenues over expenses	**$ (20,584)**	$ 26,704
Net changes in non-cash working capital:		
Accounts receivable	**(2,283)**	(2,577)
Prepaid expenses and deposits	**5,315**	(5,315)
Accounts payable and accrued liabilities	**2,321**	12,102
Government remittances payable	**12,897**	3,713
Deferred revenue	**5,580**	9,284
Cash from operating activities	**3,246**	43,911
FINANCING		
Advances from related parties	**19,000**	-
Cash from financing activities	**19,000**	-
INVESTMENTS		
Advances to related parties	**(21,031)**	(40,677)
Cash used for investment activities	**(21,031)**	(40,677)
INCREASE IN CASH AND CASH EQUIVALENTS	**1,215**	3,234
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,234**	-
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 4,449**	$ 3,234

See accompanying notes to financial statements

FIRST STEPS ELEMENTARY ACADEMY

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025

1. STATUS AND PURPOSE OF THE ORGANIZATION

First Steps Elementary Academy is a not-for-profit organization whose main objective is to produce graduates who inspire integrity, respect, culture and achievement as leaders of tomorrow. The mission statement of the Academy is to "provide the environment, resources and setting for our students to excel in their education and personal development."

The Academy is exempt from income tax under Section 149 of the Canadian Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

Cash and Cash Equivalents

The policy of the Academy is to disclose bank balances under cash and cash equivalents.

Contributed Services

The Academy would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current year. Significant items subject to such estimates and assumptions include the valuation of allowance for doubtful accounts receivable and accounts payable and accrued liabilities. Actual results could differ from those estimates.

Financial Instruments

Measurement of financial instruments

The Academy initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Academy subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, and due from related parties.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to related parties.

FIRST STEPS ELEMENTARY ACADEMY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Academy does not currently hold any financial assets measured at fair value.

Revenue Recognition

The Academy follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising revenue is recognized in the same way as other contributions discussed above.

Program fees are recognized monthly based on program enrolments. Program fees received in advance are recorded as deferred revenue.

3. RELATED PARTY TRANSACTIONS

During the year, the Academy entered into transactions with related parties. Related parties consist of members of the Board of Directors, key employees in management positions, including the Principal who receive reimbursements for out-of-pocket expenses. The following are additional related parties and their relationship with the Academy:

a) First Steps & Beyond Inc. - Two board members own this corporation.
b) Kalsa Oilfield Service Corp. - Two board members own this corporation.
c) Lynne Harris - Principal of the school.

A summary of the balances and transactions with First Steps & Beyond Inc. are as follows:

	2025	2024
Amounts included in accounts payable as at year end:		
Lynne Harris	**$ 3,922**	$ 102
Due from related party:		
First Steps & Beyond Inc.	**$ 61,708**	$ 40,677
Due to related party:		
Kalsa Oilfield Service Corp.	**$ 19,000**	$ -
Rent paid to related party:		
First Steps & Beyond Inc.	**$ 65,604**	$ 46,278

The above transactions are in the normal course of operations and are recorded at the exchange amount which is the amount of consideration as established and agreed to by the related parties.

Amounts due to and from related parties are unsecured with no specific terms of repayment and bear interest as may be determined from time to time.

FIRST STEPS ELEMENTARY ACADEMY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025

4. DEFERRED REVENUE

	Balance, beginning of year	Received	Recognized	Balance, end of year
Program fees	$ 9,284	$ 14,865	$ (9,284)	$ 14,865
Alberta Education	-	189,737	(189,737)	-
	$ 9,284	$ 204,602	$ (199,021)	$ 14,865

5. ECONOMIC DEPENDENCE

The Academy is economically dependent on grants from the Government of Alberta. If funding was not received, its operations would be significantly reduced. During the year, the Academy received $189,737 (2024 - $148,609) from The Government of Alberta.

6. GOING CONCERN

The Academy incurred an operating deficit during the year and continues to have limited unrestricted net assets and a working capital deficit. The Academy has also experienced challenges in meeting certain short-term financial obligations and has utilized deferred compensation and timing of payments to manage cash flow. In addition, the Academy has amounts receivable from a related entity, which management expects to settle through the allocation of shared operating costs over time.

As a funded independent school, the Academy is required to develop and implement an Accumulated Deficit/Operating Deficit (ADO) elimination plan. Successful execution of this plan is dependent on continued government funding and the Academy's ability to align expenditures with enrolment and program delivery.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Academy's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and do not contain adjustments that might be necessary if the Academy is unable to continue its operations.

FIRST STEPS ELEMENTARY ACADEMY
NOTES TO FINANCIAL STATEMENTS
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7. FINANCIAL INSTRUMENTS

The Academy is exposed to various risks through its financial instruments. The following analysis provides a measure of the Academy's risk exposure and concentrations at August 31, 2025.

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 Academy's main credit risks relate to its accounts receivable and due from related parties. The Academy provides credit to its clients in the normal course of its operations.

Liquidity Risk

Liquidity risk is the risk that the Academy will encounter difficulty in meeting obligations associated with financial liabilities. The Academy is exposed to this risk mainly in respect of accounts payable and accrued liabilities and due to related parties.