

Audited Financial Statements of

**HERBERT H. CARNEGIE
FUTURE ACES FOUNDATION**

Year ended November 30, 2012



GEOFF CREWE
chartered accountant

200 Yorkland Blvd.
Suite 960
Toronto, ON
M2J 5C1

Tel 416-490-1042
Fax 416-497-0120
www.gcrewe.com

Independent Auditor's Report

To the Directors of Herbert H. Carnegie Future Aces Foundation

I have audited the accompanying financial statements of Herbert H. Carnegie Future Aces Foundation, which comprise the statement of financial position as at November 30, 2012, and the statement of revenue and expenses, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Foundation and I was not able to determine whether any adjustments might be necessary to donations and fundraising revenue, deficiency of revenue over expenses, assets and net assets.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Herbert H. Carnegie Future Aces Foundation as at November 30, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Comparative Information

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes Herbert H. Carnegie Future Aces Foundation's adoption of Canadian Accounting Standards for Not-for-Profit Organizations on December 1, 2011 with a transition date of December 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at November 30, 2011 and December 1, 2010, and the statements of revenue and expenses, changes in net assets and cash flows for the year ended November 30, 2011 and related disclosures. I was not engaged to report on the restated comparative information and, as such, it is unaudited.



Toronto, Canada
September 9, 2013

Geoff Crewe, CPA, CA
Licensed Public Accountant

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2012, with comparative figures for November 30, 2011 and December 1, 2010

	November 30, 2012	November 30, 2011 (restated)	December 1, 2010 (restated)
ASSETS			
Current assets			
Cash	\$ 133,362	\$ 86,765	\$ 175,428
Accounts receivable	6,587	24,981	77,093
HST receivable	19,992	7,620	17,814
Deposits and prepaid expenses	4,461	3,692	3,692
	<u>164,402</u>	<u>123,058</u>	<u>274,027</u>
Capital assets (note 3)	2,487	3,261	3,702
Endowment fund (note 4) (cost \$20,089; 2011 - \$36,305; 2010 - \$33,928)	21,084	37,937	35,533
	<u>\$ 187,973</u>	<u>\$ 164,256</u>	<u>\$ 313,262</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 89,894	\$ 75,495	\$ 102,326
Unearned revenue	150,860	55,153	93,128
	<u>240,754</u>	<u>130,648</u>	<u>195,454</u>
NET ASSETS			
Invested in capital assets	2,487	3,261	3,702
Unrestricted	(55,268)	10,753	94,692
Restricted (note 4)	-	19,594	19,414
	<u>(52,781)</u>	<u>33,608</u>	<u>117,808</u>
Commitment (note 5)	\$ 187,973	\$ 164,256	\$ 313,262

Approved by:


Director

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

Year ended November 30, 2012, with comparative figures for 2011

	<u>2012</u>	<u>2011</u> (restated)
Revenue		
Grants, donations and fundraising	\$ 365,880	\$ 392,353
Interest and unrealized investment gains	864	839
	<u>366,744</u>	<u>393,192</u>
Expenses		
Education project	269,934	273,505
Office and administration	107,228	124,921
Scholarship awards and expenses	35,030	39,647
Fundraising costs	40,941	39,319
	<u>453,133</u>	<u>477,392</u>
Deficiency of revenue over expenses	<u>\$ (86,389)</u>	<u>\$ (84,200)</u>

See accompanying notes to financial statements.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2012, with comparative figures for 2011

	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Restricted</u> (Endowment fund)	<u>Total</u>
Net assets, December 1, 2010 (restated)	3,702	94,692	19,414	117,808
Additions to capital assets	576	(576)	-	-
Excess (deficiency) of revenue over expenses	<u>(1,017)</u>	<u>(83,363)</u>	<u>180</u>	<u>(84,200)</u>
Net assets, November 30, 2011 (restated)	3,261	10,753	19,594	33,608
Interfund transfers	-	19,594	(19,594)	-
Deficiency of revenue over expenses	<u>(774)</u>	<u>(85,615)</u>	<u>-</u>	<u>(86,389)</u>
Net assets, November 30, 2012	<u><u>\$ 2,487</u></u>	<u><u>\$ (55,268)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (52,781)</u></u>

See accompanying notes to financial statements.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2012, with comparative figures for 2011

	<u>2012</u>	<u>2011</u> (restated)
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenditures	\$ (86,389)	\$ (84,200)
Amortization not requiring an outlay of cash	774	1,018
Change in non-cash working capital items		
Decrease in accounts receivable	18,394	52,112
(Increase) decrease in HST receivable	(12,372)	10,194
Increase in prepaid expenses and deposits	(769)	-
Increase (decrease) in accounts payable and accrued liabilities	14,399	(26,832)
Increase (decrease) in unearned revenue	95,707	(37,975)
	<u>29,744</u>	<u>(85,683)</u>
Investing activities		
Decrease (increase) in Endowment fund investments	16,853	(2,404)
Purchases of capital assets	-	(576)
	<u>16,853</u>	<u>(2,980)</u>
Increase (decrease) in cash	46,597	(88,663)
Cash, beginning of year	<u>86,765</u>	<u>175,428</u>
Cash, end of year	<u>\$ 133,362</u>	<u>\$ 86,765</u>

See accompanying notes to financial statements.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2012

1. GENERAL

The Herbert H. Carnegie Future Aces Foundation (the "Foundation") is a not-for-profit, registered charitable organization established in 1987. As such, it is not subject to income taxes. It has two mandates: to foster self-esteem and ethical behaviour through the application of the Future Aces philosophy and to assist youth in attaining the highest level of educational achievement within their capabilities.

Many schools use the values of the Future Aces philosophy daily to reinforce their codes of conduct and safe schools programs. The Foundation awards scholarships (grants toward their college or university tuition expenses) to students who display exemplary citizenship qualities and have a financial need.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of Accounting Standards for Not-for-Profit Organizations

Effective December 1, 2011, the Foundation elected to adopt Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO). This framework is in accordance with Canadian generally accepted accounting principles. These are the Foundation's first financial statements prepared in accordance with ASNPO. The presentation of and disclosures included in the 2012 financial statements reflect the new presentation and disclosure requirements of ASNPO.

The adoption of ASNPO requires retrospective application of the accounting standards with certain elective exemptions and limited exceptions available. The accounting policies set out in note 2 have also been applied in preparing the corresponding financial statements (including notes) for the year ended November 30, 2011 and the opening ASNPO statement of financial position at December 1, 2010 (the Foundation's date of transition). Applying the new standards has resulted in changes to the Endowment fund and Restricted net assets as at December 1, 2010, as follows:

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

December 1, 2010

	<u>ASNPO</u>	<u>Part V</u>	<u>Adjustments</u>	<u>Transition</u>
ASSETS				
Current assets				
Cash		\$ 175,428	-	\$ 175,428
Accounts receivable		94,907	-	94,907
Deposits and prepaid expenses		3,692	-	3,692
		<u>274,027</u>		<u>274,027</u>
Capital assets		3,702	-	3,702
Endowment fund	(i)	<u>33,928</u>	1,605	<u>35,533</u>
		<u>\$ 311,657</u>		<u>\$ 313,262</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 102,326	-	\$ 102,326
Unearned revenue		93,128	-	93,128
		<u>195,454</u>		<u>195,454</u>
NET ASSETS				
Invested in capital assets		3,702	-	3,702
Unrestricted		94,692	-	94,692
Restricted	(i)	<u>17,809</u>	1,605	<u>19,414</u>
		<u>116,203</u>		<u>117,808</u>
		<u>\$ 311,657</u>		<u>\$ 313,262</u>

- (i) Adoption of ASNPO requires the Endowment fund to be measured at fair value. Previously, Part V of the CICA Handbook allowed it to be measured at cost. As such, there were Unrealized gains to account for and corresponding increases in Net assets of \$1,605 and \$27 were required for 2010 and 2011 fiscal years respectively.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) **Revenue recognition**

General purpose grants are recorded as revenue in the period in which they are received. Special purpose grants are accounted for by the deferral method, whereby they are recognized in the period in which the related expenses are incurred.

c) **Donated goods and services**

Donated goods and services are recorded at their estimated fair market value but only when such value can be reasonably estimated and when the goods and services would normally have been purchased by the Foundation.

d) **Capital assets**

Purchased capital assets are recorded at cost. Amortization is recorded on a declining balance basis over the estimated useful lives of the assets at the following annual rates:

Computers	45-100%
Office furniture and equipment	20%

e) **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are used when accounting for the collectability of accounts receivable, the estimated useful lives of capital assets and the determination of accrued liabilities and earned/unearned revenue. Actual results could differ from such estimates.

f) **Financial instruments**

Financial instruments, including cash, accounts and HST receivable, accounts payable and accrued liabilities, and unearned revenue are recorded at fair value on initial recognition and then subsequently at cost or amortized cost, unless management has elected to carry them at fair value. The Foundation has elected to carry only its Endowment fund at fair value.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) **Financial instruments** - continued

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs.

Financial assets are assessed for indicators of impairment annually at the year-end date. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected amount or timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized by selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral held to secure repayment of the asset. If events or circumstances change in a future period, an impairment loss can be reversed to the extent of the improvement, but not exceeding the initial carrying value.

3. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated amortization	Net book Value	Net book Value
Computers	\$ 10,379	\$ 10,113	\$ 266	\$ 485
Office furniture and equipment	<u>4,537</u>	<u>2,316</u>	<u>2,221</u>	<u>2,776</u>
	<u>\$ 14,916</u>	<u>\$ 12,429</u>	<u>\$ 2,487</u>	<u>\$ 3,261</u>

Amortization of \$774 is included in office and administration expenses in 2012 (\$1,018 in 2011).

4. ENDOWMENT FUND

A contribution of \$15,000 made to the Endowment Fund in 2002 was restricted in that it was not to be used for the Foundation's operations for a period of 10 years. This restriction expired in 2012 and the funds are now able to be used for general operations, as determined by the Board of Directors. Investment income earned in the Endowment Fund was not restricted in this manner.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2012

5. COMMITMENT

The Foundation occupies premises under the terms of a lease which expires on January 31, 2015. Payments are comprised of a fixed amount and a variable amount, the latter being based on maintenance and repairs. The full rental payment for the 2012 fiscal year was \$26,977. The fixed portion of future minimum payments under the lease are as follows:

2013	\$ 14,010
2014	14,010
2015	<u>2,335</u>
	<u>\$ 30,355</u>

6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

The Foundation is not exposed to the risk of changing interest rates as it currently does not have any interest-bearing debt. Cash includes amounts on deposit with a financial institution, earning interest at market rates. The Foundation manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on (temporarily) excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Foundation's results of operations.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. It also includes the risk of the Foundation not being able to liquidate assets in a timely manner at a reasonable price. The Foundation meets its liquidity requirements by maintaining an appropriate level of cash and holding assets that can be readily converted into cash.