

Audited Financial Statements of

**HERBERT H. CARNEGIE
FUTURE ACES FOUNDATION**

Year ended November 30, 2013



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, 2013, 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, excess (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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.



Toronto, Canada
June 9, 2014

Geoff Crewe, CPA, CA
Licensed Public Accountant

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2013, with comparative figures for 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash	\$ 261,118	\$ 133,362
Short-term investment (cost - \$4,103)	5,567	-
Accounts receivable	28,000	6,587
HST receivable	12,407	19,992
Deposits and prepaid expenses	6,460	4,461
	<u>313,552</u>	<u>164,402</u>
Capital assets (note 3)	1,923	2,487
Endowment fund (2012 cost - \$20,089)	-	21,084
	<u>\$ 315,475</u>	<u>\$ 187,973</u>
 LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 99,349	\$ 89,894
Government remittances payable	166	-
Unearned revenue (note 4)	183,095	150,860
	<u>282,610</u>	<u>240,754</u>
 NET ASSETS		
Invested in capital assets	1,923	2,487
Unrestricted	30,942	(55,268)
	<u>32,865</u>	<u>(52,781)</u>
Commitment (note 5)	<u>\$ 315,475</u>	<u>\$ 187,973</u>

Approved by: Paul Braithwaite
Director

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

Year ended November 30, 2013, with comparative figures for 2012

	<u>2013</u>	<u>2012</u>
Revenue		
Foundations and government grants	\$ 281,417	\$ 112,809
Other sponsorships, donations and fundraising	172,982	146,701
Corporate sponsorship	91,573	106,370
Interest and unrealized investment gains	899	864
	<u>546,871</u>	<u>366,744</u>
Expenses		
Education project	280,585	269,934
Office and administration	120,814	107,228
Scholarship awards and expenses	32,848	35,030
Fundraising costs	26,978	40,941
	<u>461,225</u>	<u>453,133</u>
Excess (deficiency) of revenue over expenses	<u>\$ 85,646</u>	<u>\$ (86,389)</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2013, with comparative figures for 2012

	<u>2013</u>			<u>2012</u>
	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	2,487	(55,268)	(52,781)	33,608
Excess (deficiency) of revenue over expenses	(564)	86,210	85,646	(86,389)
Balance, end of year	<u>\$ 1,923</u>	<u>\$ 30,942</u>	<u>\$ 32,865</u>	<u>\$ (52,781)</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2013, with comparative figures for 2012

	<u>2013</u>	<u>2012</u>
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 85,646	\$ (86,389)
Amortization not requiring an outlay of cash	564	774
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(21,413)	18,394
Decrease (increase) in HST receivable	7,585	(12,372)
Increase in prepaid expenses and deposits	(1,999)	(769)
Increase in accounts payable and accrued liabilities	9,455	14,399
Increase in government remittances payable	166	-
Increase in unearned revenue	32,235	95,707
	<u>112,239</u>	<u>29,744</u>
Investing activities		
Increase in short-term investment	(5,567)	-
Decrease in endowment fund	21,084	16,853
	<u>15,517</u>	<u>16,853</u>
Increase in cash	127,756	46,597
Cash, beginning of year	<u>133,362</u>	<u>86,765</u>
Cash, end of year	<u><u>\$ 261,118</u></u>	<u><u>\$ 133,362</u></u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2013

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.

These financial statements were approved by the Foundation's Board of Directors on June 9, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies.

a) **Revenue recognition**

General purpose grants are recorded as revenue in the period in which they are received. Special purpose grants, donations with conditions as to how the funds may be used and revenue from fundraising events are accounted for by the deferral method, whereby they are recognized in the period in which the related expenses are incurred.

b) **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. Grants, donations and fundraising revenue includes \$10,220 of donated goods for which tax receipts were issued.

c) **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%

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **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.

e) **Financial instruments**

Financial instruments, including cash, short-term investment, accounts receivable, and accounts payable and accrued liabilities, 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 short-term investment at fair value.

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.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2013

3. CAPITAL ASSETS

	2013			2012
	Cost	Accumulated amortization	Net book Value	Net book Value
Computers	\$ 10,379	\$ 10,233	\$ 146	\$ 266
Office furniture and equipment	<u>4,537</u>	<u>2,760</u>	<u>1,777</u>	<u>2,221</u>
	<u>\$ 14,916</u>	<u>\$ 12,993</u>	<u>\$ 1,923</u>	<u>\$ 2,487</u>

Amortization of \$564 is included in office and administration expenses in 2013 (\$774 in 2012).

4. UNEARNED REVENUE

	Balance, beginning of year	Funding received	Funding recognized as revenue	Balance, end of year
Ministry of Education of Ontario	\$ 91,760	\$ 255,423	\$ (265,226)	\$ 81,957
Investors Group				
Financial Services Inc.	48,800	65,000	(58,800)	55,000
Other	10,300	53,922	(33,425)	30,797
Schools	<u>-</u>	<u>27,150</u>	<u>(11,809)</u>	<u>15,341</u>
	<u>\$ 150,860</u>	<u>\$ 401,495</u>	<u>\$ (369,260)</u>	<u>\$ 183,095</u>

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 total rental payment for the 2013 fiscal year was \$26,121. The fixed portion of future minimum payments under the lease is as follows:

2014	\$ 14,010
2015	<u>2,335</u>
	<u>\$ 16,345</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2013

6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

The Foundation is only exposed to the risk of changing interest rates on its investments. 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.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk in that it carries accounts receivable and has cash in a bank. This risk is managed by the monitoring of aged accounts receivable and doing transactions with a reputable bank.

7. CAPITAL MANAGEMENT

The Foundation currently does not have permanent capital other than excess revenue over expenses that may exist from time-to-time. The Foundation relies solely on grants, sponsorships and donations to fulfill its mandates and necessarily maintains adequate flexibility in its operations.