

Audited Financial Statements of

**HERBERT H. CARNEGIE
FUTURE ACES FOUNDATION**

Year ended November 30, 2018

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

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INDEPENDENT AUDITOR'S REPORT
To the Directors

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, 2018, and the statements of revenue and expenses, 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 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 of revenue over expenses, assets and net assets.

BDCA Professional Corporation

Toronto, Canada
May 21, 2019

BDCA Professional Corporation
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2018, with comparative figures for 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash	\$ 37,423	\$ 154,794
Accounts receivable (note 2)	36,025	28,985
Asset held for sale (note 3)	-	20,000
HST receivable	8,328	20,330
Prepaid expenses and deposits	<u>5,388</u>	<u>9,968</u>
	87,164	234,077
Tangible capital assets (note 4)	<u>1,391</u>	<u>1,887</u>
	<u>\$ 88,555</u>	<u>\$ 235,964</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 109,947	\$ 107,758
Unearned revenue (note 5)	<u>41,600</u>	<u>117,095</u>
	151,547	224,853
Unearned revenue - capital assets (note 5)	<u>355</u>	<u>645</u>
	151,902	225,498
NET ASSETS		
Invested in capital assets	1,036	1,242
Unrestricted	<u>(64,383)</u>	<u>9,224</u>
	<u>(63,347)</u>	<u>10,466</u>
Commitment (note 6)	<u>\$ 88,555</u>	<u>\$ 235,964</u>

Approved on behalf of the Board of Directors:

Director

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

Year ended November 30, 2018, with comparative figures for 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Foundation and government grants	\$ 281,263	\$ 312,760
Other sponsorships, donations and fundraising (note 3)	156,596	288,198
Corporate sponsorships	37,620	83,492
Rental	-	5,113
Other	<u>72</u>	<u>402</u>
	<u>475,551</u>	<u>689,965</u>
Expenses		
Education project	277,405	333,486
Office and administration	188,583	200,892
Scholarship awards and expenses	57,211	77,914
Fundraising costs (note 3)	<u>26,165</u>	<u>99,106</u>
	<u>549,364</u>	<u>711,398</u>
Deficiency of revenue over expenses	<u>\$ (73,813)</u>	<u>\$ (21,433)</u>

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2018, with comparative figures for 2017

	<u>2018</u>			<u>2017</u>
	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 1,242	\$ 9,224	\$ 10,466	31,899
Deficiency of revenue over expenses	<u>(206)</u>	<u>(73,607)</u>	<u>(73,813)</u>	<u>(21,433)</u>
Balance, end of year ***	<u><u>\$ 1,036</u></u>	<u><u>\$ (64,383)</u></u>	<u><u>\$ (63,347)</u></u>	<u><u>\$ 10,466</u></u>

*** Consists of:

Tangible capital assets, net	\$ 1,391
Unearned revenue, tangible capital assets	<u>(355)</u>
	<u><u>\$ 1,036</u></u>

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2018, with comparative figures for 2017

	<u>2018</u>	<u>2017</u>
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures	\$ (73,813)	\$ (21,433)
Amortization	717	1,130
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(7,040)	211,125
Decrease (increase) in asset held for sale	20,000	(20,000)
Decrease (increase) in HST receivable	12,002	(2,786)
Decrease in prepaid expenses and deposits	4,579	910
Increase in accounts payable and accrued liabilities	2,189	29,132
Decrease in unearned revenue	<u>(75,785)</u>	<u>(152,608)</u>
	(117,151)	45,470
Investing activities		
Purchase of tangible capital assets	<u>(220)</u>	<u>-</u>
Increase (decrease) in cash	(117,371)	45,470
Cash, beginning of year	<u>154,794</u>	<u>109,324</u>
Cash, end of year	<u><u>\$ 37,423</u></u>	<u><u>\$ 154,794</u></u>

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2018

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 to students (grants toward their college or university tuition expenses) who display exemplary citizenship qualities and have a financial need.

These financial statements were approved by the Foundation’s Board of Directors on May 21, 2019.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

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

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. Grants receivable are recorded when a commitment to make a grant has been made, the amount receivable can be reasonably estimated and ultimate collection is reasonably assured.

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. Volunteers contribute a significant amount of time assisting the Foundation to deliver/administer its activities. Because of the difficulty of putting a value on such time, volunteers’ services are not recognized in the financial statements.

Tangible 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, 2018

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Unearned revenue - tangible capital assets

Contributions received towards the purchase of capital assets are deferred and amortized into income on the same basis as the related capital assets are amortized.

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.

Financial instruments

Financial instruments, including cash, 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 elects to carry them at fair value (which it has not done).

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.

Allocation of expenses

The Foundation operates various programs associated with its mandate and engages in fundraising activities to assist in supporting those programs. The costs of each program include the costs of personnel, premises and other direct expenses. The Foundation also incurs general support expenses that are common to the administration of the Foundation and each of its programs. Personnel costs have been allocated to education project expenses in the amount of \$24,015 (2017 - \$23,465) based on the estimated proportion of time spent working with this project.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS - continued

Year ended November 30, 2018

2. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Corporate, schools, and other	\$ 39,708	\$ 32,702
Less allowance for doubtful accounts	(3,683)	(3,717)
Balance, end of year	<u>\$ 36,025</u>	<u>\$ 28,985</u>

3. ASSETS HELD FOR SALE

During fiscal 2017, jewellery was donated to the Foundation with a fair value of \$100,000. The \$100,000 fair value was evidenced by three independent appraisals. This donation has been recognized and is included in other sponsorships, donations and fundraising revenue at November 30, 2017. Subsequent to November 30, 2017, the jewellery was sold for proceeds of \$20,000. As a result, the asset value at November 30, 2017 was reduced by \$80,000 to reflect its net realizable value, and an expense recognized for the same amount as part of fundraising expenses.

4. TANGIBLE CAPITAL ASSETS

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computers	\$ 14,276	\$ 13,467	\$ 809	\$ 1,159
Office furniture and equipment	4,537	3,955	582	728
	<u>\$ 18,813</u>	<u>\$ 17,422</u>	<u>\$ 1,391</u>	<u>\$ 1,887</u>

Amortization of \$717 is included in office and administration expenses (2017 - \$1,130)

5. UNEARNED REVENUE

	<u>2018</u>	<u>2017</u>
Comprised of:		
Funding /fundraising	\$ 41,600	\$ 117,095
Capital assets	355	645
Balance, end of year	<u>\$ 41,955</u>	<u>\$ 117,740</u>
Comprised of:		
Balance, beginning of year	\$ 117,740	\$ 270,348
Funding received	399,694	531,842
Funding recognized as revenue	(475,479)	(684,450)
Balance, end of year	<u>\$ 41,955</u>	<u>\$ 117,740</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS - continued

Year ended November 30, 2018

6. COMMITMENT

The Foundation occupies premises under the terms of a lease which expires on August 31, 2022. Payments are comprised of a fixed amount and a variable amount, the latter being based on maintenance and repairs. The fixed portion of future minimum payments before HST is as follows:

2019	12,555
2020	13,081
2021	13,608
2022	<u>10,502</u>
	<u>\$ 49,746</u>

7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Interest rate risk

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 accounts receivable and conducting transactions with a reputable bank.