

Audited Financial Statements of

**HERBERT H. CARNEGIE
FUTURE ACES FOUNDATION**

Year ended November 30, 2015



GEOFF CREWE

Chartered Professional 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, 2015, 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 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, 2015, 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.

Toronto, Canada
July 19, 2016

Geoff Crewe, CPA, CA
Licensed Public Accountant

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2015, with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash - unrestricted	\$ 365,160	\$ 285,164
Cash - restricted for capital asset purchases	305	-
Accounts receivable (net of allowance for doubtful accounts of \$455; \$2,114 in 2014)	16,680	13,721
HST receivable	15,694	15,227
Prepaid expenses and deposits	<u>6,532</u>	<u>6,389</u>
	404,371	320,501
Capital assets (note 3)	<u>2,883</u>	<u>1,502</u>
	<u>\$ 407,254</u>	<u>\$ 322,003</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 94,934	\$ 105,532
Government remittances payable	1,204	105
Unearned revenue (note 4)	<u>258,648</u>	<u>164,528</u>
	354,786	270,165
 Unearned revenue - capital assets	 <u>2,006</u>	 <u>-</u>
	356,792	270,165
NET ASSETS		
Invested in capital assets	1,182	1,502
Unrestricted	<u>49,280</u>	<u>50,336</u>
	50,462	51,838
Commitment (note 5)	<u>\$ 407,254</u>	<u>\$ 322,003</u>

Approved by:



Director

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

Year ended November 30, 2015, with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Foundations and government grants	\$ 273,030	\$ 251,985
Other sponsorships, donations and fundraising	176,408	234,574
Corporate sponsorships	73,000	92,582
Rental	3,075	-
Interest and unrealized investment gains	1,579	1,694
	<u>527,092</u>	<u>580,836</u>
Expenses		
Education project	288,859	314,828
Office and administration	139,982	139,112
Scholarship awards and expenses	65,918	66,351
Fundraising costs	33,709	41,572
	<u>528,468</u>	<u>561,863</u>
Excess (deficiency) of revenue over expenses	<u>\$ (1,376)</u>	<u>\$ 18,973</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2015, with comparative figures for 2014

	2015			2014 Total
	Invested in capital assets	Unrestricted	Total	
Balance, beginning of year	\$ 1,502	\$ 50,336	\$ 51,838	\$ 32,865
Excess (deficiency) of revenue over expenses	(320)	(1,056)	(1,376)	18,973
Balance, end of year	<u>\$ 1,182</u>	<u>\$ 49,280</u>	<u>\$ 50,462</u>	<u>\$ 51,838</u>

⊕ Consists of:

Capital assets, net	\$ 2,883
Cash, restricted for capital asset purchases	305
Unearned revenue, capital assets	(2,006)
	<u>\$ 1,182</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2015, with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ (1,376)	\$ 18,973
Amortization not requiring an outlay of cash	814	421
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(2,959)	14,279
Increase in HST receivable	(467)	(2,820)
Decrease (increase) in prepaid expenses and deposits	(143)	71
Increase (decrease) in accounts payable and accrued liabilities	(10,598)	6,183
Increase (decrease) in government remittances payable	1,099	(61)
Increase (decrease) in unearned revenue	96,126	(18,567)
	<u>82,496</u>	<u>18,479</u>
Investing activities		
Decrease in short-term investment	-	5,567
Purchase of capital assets	(2,195)	-
	<u>(2,195)</u>	<u>5,567</u>
Increase in cash	80,301	24,046
Cash, beginning of year	<u>285,164</u>	<u>261,118</u>
Cash, end of year	<u>\$ 365,465</u>	<u>\$ 285,164</u>

*Cash includes both restricted and unrestricted amounts

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2015

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 July 19, 2016.

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. Donations and fundraising revenue includes \$1,134 of donated goods and services for which tax receipts were issued in 2015.

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, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Unearned revenue – 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.

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 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.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

3. CAPITAL ASSETS

	2015		2014	
	Cost	Accumulated amortization	Net book Value	Net book Value
Computers	\$ 12,575	\$ 10,830	\$ 1,745	\$ 80
Office furniture and equipment	<u>4,538</u>	<u>3,400</u>	<u>1,138</u>	<u>1,422</u>
	<u>\$ 17,113</u>	<u>\$ 14,230</u>	<u>\$ 2,883</u>	<u>\$ 1,502</u>

Amortization of \$814 is included in office and administration expenses in 2015 (\$421 in 2014).

4. UNEARNED REVENUE

	2015	2014
Balance, beginning of year	\$ 164,528	\$ 183,095
Funding received	578,534	495,951
Funding recognized as revenue	<u>(482,408)</u>	<u>(514,518)</u>
Balance, end of year	<u>\$ 260,654</u>	<u>\$ 164,528</u>

Comprised of:

Funding/fundraising	\$ 258,648	\$ 164,528
Capital assets	<u>2,006</u>	<u>-</u>
Balance, end of year	<u>\$ 260,654</u>	<u>\$ 164,528</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2015

5. COMMITMENT

The Foundation occupies premises under the terms of a lease which expired on January 31, 2016. Subsequent to the fiscal year-end, the lease was renewed for a further one-year term ending on January 31, 2017. 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 under the new lease is \$1,168 per month.

6. RISKS 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.

7. RECLASSIFICATIONS

Certain of the 2014 figures, presented for comparative purposes, have been reclassified to conform with the financial statement presentation adopted in 2015.