

Audited Financial Statements of

**HERBERT H. CARNEGIE  
FUTURE ACES FOUNDATION**

Year ended November 30, 2016



**GEOFF CREWE**  
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### 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, 2016, 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, 2016, 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  
June 22, 2017

Geoff Crewe, CPA, CA  
Licensed Public Accountant

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash - unrestricted	\$ 109,324	\$ 365,160
Cash - restricted for capital asset purchases	-	305
Accounts receivable (net of allowance for doubtful accounts of \$2,755; \$455 in 2015) (note 2)	240,110	16,680
HST receivable	17,544	15,694
Prepaid expenses and deposits	10,878	6,532
	<u>377,856</u>	<u>404,371</u>
<b>Capital assets (note 3)</b>	<u>3,017</u>	<u>2,883</u>
	<u>\$ 380,873</u>	<u>\$ 407,254</u>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 78,626	\$ 94,934
Government remittances payable	-	1,204
Unearned revenue (note 4)	269,176	258,648
	<u>347,802</u>	<u>354,786</u>
 Unearned revenue - capital assets	1,172	2,006
	<u>348,974</u>	<u>356,792</u>
 <b>NET ASSETS</b>		
Invested in capital assets	1,845	1,182
Unrestricted	30,054	49,280
	<u>31,899</u>	<u>50,462</u>
 Commitment (note 5)	<u>\$ 380,873</u>	<u>\$ 407,254</u>

Approved by:

Paul Besithwaite  
Director

**HERBERT H. CARNEGIE FUTURE ACES FOUNDATION**

**STATEMENT OF REVENUE AND EXPENSES**

Year ended November 30, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Foundations and government grants	\$ 361,816	\$ 273,030
Other sponsorships, donations and fundraising	179,546	176,408
Corporate sponsorships	82,637	73,000
Rental	9,315	3,075
Other	1,119	1,579
	<u>634,433</u>	<u>527,092</u>
<b>Expenses</b>		
Education project	327,537	288,859
Office and administration	209,907	139,982
Scholarship awards and expenses	67,377	65,918
Fundraising costs	48,175	33,709
	<u>652,996</u>	<u>528,468</u>
<b>Deficiency of revenue over expenses</b>	<u>\$ (18,563)</u>	<u>\$ (1,376)</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2016, with comparative figures for 2015

	2016			2015 Total
	Invested in capital assets	Unrestricted	Total	
Balance, beginning of year	\$ 1,182	\$ 49,280	\$ 50,462	\$ 51,838
Excess (deficiency) of revenue over expenses	663	(19,226)	(18,563)	(1,376)
Balance, end of year *	<u>\$ 1,845</u>	<u>\$ 30,054</u>	<u>\$ 31,899</u>	<u>\$ 50,462</u>

\* Consists of:

Capital assets, net	\$ 3,017
Unearned revenue, capital assets	(1,172)
	<u>\$ 1,845</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2016, with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenditures	\$ (18,563)	\$ (1,376)
Amortization not requiring an outlay of cash	1,346	814
Change in non-cash working capital items		
Increase in accounts receivable	(223,430)	(2,959)
Increase in HST receivable	(1,850)	(467)
Increase in prepaid expenses and deposits	(4,346)	(143)
Decrease in accounts payable and accrued liabilities	(16,308)	(10,598)
Increase (decrease) in government remittances payable	(1,204)	1,099
Increase in unearned revenue	9,694	96,126
	<u>(254,661)</u>	<u>82,496</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(1,480)</u>	<u>(2,195)</u>
<b>Increase (decrease) in cash</b>	<b>(256,141)</b>	<b>80,301</b>
<b>Cash, beginning of year</b>	<u>365,465</u>	<u>285,164</u>
<b>Cash, end of year</b>	<u><u>\$ 109,324</u></u>	<u><u>\$ 365,465</u></u>

\*Cash includes both restricted and unrestricted amounts

# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2016

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### 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 22, 2017.

#### 1. 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. 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.

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. 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.

**HERBERT H. CARNEGIE FUTURE ACES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Year ended November 30, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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%

**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.



# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) **Financial instruments (continued)**

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.

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. Personnel costs have been allocated to education project expenses in the amount of \$22,972 based on the estimated proportion of time spent working with this project.

### 2. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Government funding	\$ 200,000	\$ -
Corporate, schools, and other	<u>42,865</u>	<u>17,135</u>
	242,865	17,135
Less allowance for doubtful accounts	<u>(2,755)</u>	<u>(455)</u>
Balance, end of year	<u>\$ 240,110</u>	<u>\$ 16,680</u>

Government funding receivable includes \$175,000 from the Province of Ontario (received January 2017) in support of continued growth of the Future Aces Program to new schools as well as maintaining its existence at current schools for the 2016/2017 school year.

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2016

3. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated amortization	Net book Value	Net book Value
Computers	\$ 14,056	\$ 11,948	\$ 2,108	\$ 1,745
Office furniture and equipment	<u>4,538</u>	<u>3,629</u>	<u>909</u>	<u>1,138</u>
	<u>\$ 18,594</u>	<u>\$ 15,577</u>	<u>\$ 3,017</u>	<u>\$ 2,883</u>

Amortization of \$1,346 is included in office and administration expenses in 2016 (\$814 in 2015).

4. UNEARNED REVENUE

	2016	2015
Balance, beginning of year	\$ 260,654	\$ 164,528
Funding received	631,193	578,534
Funding recognized as revenue	<u>(621,499)</u>	<u>(482,408)</u>
Balance, end of year	<u>\$ 270,348</u>	<u>\$ 260,654</u>

Comprised of:

Funding/fundraising	\$ 269,176	\$ 258,648
Capital assets	<u>1,172</u>	<u>2,006</u>
Balance, end of year	<u>\$ 270,348</u>	<u>\$ 260,654</u>

**HERBERT H. CARNEGIE FUTURE ACES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

Year ended November 30, 2016

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**5. COMMITMENT**

The Foundation occupied premises under the terms of a lease which expired on January 31, 2017. Subsequent to year end, the lease was renewed but then terminated on June 22, 2017. A new lease was entered into for new premises, which expires on August 31, 2022. Payments for both leases 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 are as follows:

2017	\$	9,423
2018		8,560
2019		9,086
2020		9,613
2021		10,140
Thereafter		<u>7,901</u>
	\$	<u>54,723</u>

**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.