Audited Financial Statements of

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

Year ended November 30, 2017

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

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BDCA
CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2017, 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.

Other matters

The 2016 financial statements, presented for comparative purposes, were audited by another professional accounting firm who issued an unmodified report thereon, dated June 22, 2017.

BDCA Professional Corporation

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

Toronto, Canada
July 12, 2018

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2017, with comparative figures for 2016

	2017	2016
ASSETS		
Current assets		
Cash	$ 154,794	$ 109,324
Accounts receivable (note 2)	28,985	240,110
Asset held for sale (note 3)	20,000	-
HST receivable	20,330	17,544
Prepaid expenses and deposits	9,968	10,878
	234,077	377,856
Capital assets (note 4)	1,887	3,017
	$ 235,964	$ 380,873
LIABILITIES		
Current liabilities		
Accounts payable and accrues liabilities	$ 107,758	$ 78,626
Unearned revenue (note 5)	117,095	269,176
	224,853	347,802
Unearned revenue - capital assets (note 5)	645	1,172
	225,498	348,974
NET ASSETS		
Invested in capital assets	1,242	1,845
Unrestricted	9,224	30,054
	10,466	31,899
Commitment (note 6)		
	$ 235,964	$ 380,873

Approved on behalf of the Board of Directors:

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Director

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

Year ended November 30, 2017, with comparative figures for 2016

	2017	2016
Revenue		
Foundation and government grants	$ 312,760	$ 361,816
Other sponsorships, donations and fundraising (note 3)	288,198	179,546
Corporate sponsorships	83,492	82,637
Rental	5,113	9,315
Other	402	1,119
	689,965	634,433
Expenses		
Education project	333,486	327,537
Office and administration	200,892	209,907
Fundraising costs (note 3)	99,106	48,175
Scholarship awards and expenses	77,914	67,377
	711,398	652,996
Deficiency of revenue over expenses	$ (21,433)	$ (18,563)

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2017, with comparative figures for 2016

	2017			2016
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	$ 1,845	$ 30,054	$ 31,899	50,462
Deficiency of revenue over expenses	(603)	(20,830)	(21,433)	(18,563)
Balance, end of year ***	$ 1,242	$ 9,224	$ 10,466	$ 31,899

*** Consists of:

Capital assets, net	$ 1,887
Unearned revenue, capital assets	(645)
	$ 1,242

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CASH FLOWS

Year ended November 30, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures	$ (21,433)	$ (18,563)
Amortization	1,130	1,346
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	211,125	(223,430)
Increase in asset held for sale	(20,000)	-
Increase in HST receivable	(2,786)	(1,850)
Increase (decrease) in prepaid expenses and deposits	910	(4,346)
Increase (decrease) in accounts payable and accrued liabilities	29,132	(16,308)
Decrease in government remittances payable	-	(1,204)
Increase (decrease) in unearned revenue	(152,608)	9,694
	45,470	(254,661)
Investing activities		
Purchase of capitals assets	-	(1,480)
Increase (decrease) in cash	45,470	(256,141)
Cash, beginning of year	109,324	365,465
Cash, end of year	$ 154,794	$ 109,324

See accompanying notes to financial statements

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 July 12, 2018

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.

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.

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%

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 $23,465 ($22,972 - 2016) based on the estimated proportion of time spent working with this project.

2. ACCOUNTS RECEIVABLE

	2017	2016
Government funding	$ -	$ 200,000
Corporate, schools, and other	32,702	42,865
	32,702	242,865
Less allowance for doubtful accounts	(3,717)	(2,755)
Balance, end of year	$ 28,985	$ 240,110

Government funding receivable is nil at November 30, 2017 ($200,000 - November 30, 2016). The prior year government funding included $175,000 from the Province of Ontario (received January 2017) in support of the 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.

3. ASSET HELD FOR SALE

During the year, 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 year-end, the jewellery was sold for proceeds of $20,000. As a result, the asset value at November 30, 2017 has been reduced by $80,000 to reflect its net realizable value, and an expense recognized for the same amount as part of fundraising expenses.

4. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	$ 14,056	$ 12,897	$ 1,159	$ 2,108
Office furniture and equipment	4,538	3,810	728	909
	$ 18,594	$ 16,707	$ 1,887	$ 3,017

Amortization of $1,130 is included in office and administration expenses ($1,346 - 2016)

5. UNEARNED REVENUE

	2017	2016
Comprised of:		
Funding /fundraising	$ 117,095	$ 269,176
Capital assets	645	1,172
Balance, end of year	$ 117,740	$ 270,348

5. UNEARNED REVENUE (continued)

	2017	2016
Balance, beginning of year	$ 270,348	$ 260,654
Funding received	531,842	631,193
Funding recognized as revenue	(684,450)	(621,499)
Balance, end of year	$ 117,740	$ 270,348

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:

2018	$ 12,028
2019	12,555
2020	13,081
2021	13,608
2022	10,502
	$ 61,774

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.