

Audited Financial Statements of

**HERBERT H. CARNEGIE  
FUTURE ACES FOUNDATION**

Year ended November 30, 2019

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

INDEX

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenue and Expenses	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

## INDEPENDENT AUDITOR'S REPORT

To the Directors of Herbert H. Carnegie Future Aces Foundation

### *Disclaimer of Opinion*

I was engaged to audit the financial statements of Herbert H. Carnegie Future Aces Foundation (the Entity), which comprise the statement of financial position as at November 30, 2019, and the statements of revenue, expenditures and changes in net assets and cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### *Basis for Disclaimer of Opinion*

During the year, the accounting department experienced turnover leading to a situation where it was not staffed with appropriately qualified personnel. As of the date of our report, management has not been able to supply sufficient backup documentation to support the financial statement numbers. We were unable to confirm or verify by alternative means, accounts receivable, accounts payable and accrued liabilities, and unearned revenue which are stated in the statement of financial position as at November 30, 2019 at \$14,530, \$76,517 and \$84,373 respectively. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded assets or liabilities, and the elements making up the statement of revenue and expenditures, statement of changes in net assets and statement of cash flows.

### *Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibility for the Audit of the Financial Statements*

My responsibility is to conduct an audit of the Entity's financial statements in accordance with Canadian generally accepted auditing standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

*BDCA Professional Corporation*

Toronto, Canada  
September 7, 2022

**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, 2019, with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 11,117	\$ 37,423
Accounts receivable (note 2)	14,530	36,025
GST/HST receivable	5,899	8,328
Prepaid expenses and deposits	<u>3,650</u>	<u>5,388</u>
	35,196	87,164
<b>Tangible capital assets</b>	<u>911</u>	<u>1,391</u>
	<u>\$ 36,107</u>	<u>\$ 88,555</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 76,517	\$ 109,947
Unearned revenue (note 4)	<u>84,373</u>	<u>41,600</u>
	160,890	151,547
Unearned revenue - capital assets (note 4)	<u>195</u>	<u>355</u>
	161,085	151,902
<b>NET ASSETS</b>		
Invested in capital assets	716	1,036
Unrestricted	<u>(125,694)</u>	<u>(64,383)</u>
	<u>(124,978)</u>	<u>(63,347)</u>
Commitment (note 5)	<u>\$ 36,107</u>	<u>\$ 88,555</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, 2019, with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
Foundation and government grants	\$ 185,170	\$ 281,263
Other sponsorships, donations and fundraising	120,222	156,596
Corporate sponsorships	49,600	37,620
Other	-	72
	<u>354,992</u>	<u>475,551</u>
<b>Expenses</b>		
Office and administration	236,073	188,583
Education project	123,949	277,405
Fundraising costs	43,481	26,165
Scholarship awards and expenses	13,120	57,211
	<u>416,623</u>	<u>549,364</u>
<b>Deficiency of revenue over expenses</b>	<u>\$ (61,631)</u>	<u>\$ (73,813)</u>

See accompanying notes to financial statements

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION  
STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2019, with comparative figures for 2018

	<u>2019</u>			<u>2018</u>
	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 1,036	\$ (64,383)	\$ (63,347)	10,466
Deficiency of revenue over expenses	<u>(320)</u>	<u>(61,311)</u>	<u>(61,631)</u>	<u>(73,813)</u>
<b>Balance, end of year ***</b>	<u><u>\$ 716</u></u>	<u><u>\$ (125,694)</u></u>	<u><u>\$ (124,978)</u></u>	<u><u>\$ (63,347)</u></u>

\*\*\* Consists of:

Tangible capital assets, net	\$ 911
Unearned revenue, tangible capital assets	<u>(195)</u>
	<u><u>\$ 716</u></u>

See accompanying notes to financial statements

# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## STATEMENT OF CASH FLOWS

Year ended November 30, 2019, with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenditures	\$ (61,631)	\$ (73,813)
Amortization	480	717
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	21,495	(7,040)
Decrease in asset held for sale	-	20,000
Decrease in GST/HST receivable	2,429	12,002
Decrease in prepaid expenses and deposits	1,738	4,579
Increase (decrease) in accounts payable and accrued liabilities	(33,430)	2,189
Increase (decrease) in unearned revenue	<u>42,613</u>	<u>(75,785)</u>
	(26,306)	(117,151)
<b>Investing activities</b>		
Purchase of tangible capital assets	<u>-</u>	<u>(220)</u>
<b>Decrease in cash</b>	(26,306)	(117,371)
Cash, beginning of year	<u>37,423</u>	<u>154,794</u>
<b>Cash, end of year</b>	<u>\$ 11,117</u>	<u>\$ 37,423</u>

See accompanying notes to financial statements



# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2019

---

### 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.

### 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, 2019

---

### 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 \$26,256 (2018 - \$24,015) 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, 2019

### 2. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Corporate, schools, and other	\$ 15,530	\$ 39,708
Less allowance for doubtful accounts	<u>(1,000)</u>	<u>(3,683)</u>
Balance, end of year	<u>\$ 14,530</u>	<u>\$ 36,025</u>

### 3. TANGIBLE CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computers	\$ 14,276	\$ 13,831	\$ 445	\$ 808
Office furniture and equipment	<u>4,537</u>	<u>4,071</u>	<u>466</u>	<u>583</u>
	<u>\$ 18,813</u>	<u>\$ 17,902</u>	<u>\$ 911</u>	<u>\$ 1,391</u>

Amortization of \$480 is included in office and administration expenses (2018 - \$717)

### 4. UNEARNED REVENUE

	<u>2019</u>	<u>2018</u>
Comprised of:		
Funding /fundraising	\$ 84,373	\$ 41,600
Capital assets	<u>195</u>	<u>355</u>
Balance, end of year	<u>\$ 84,568</u>	<u>\$ 41,955</u>

Comprised of:

Balance, beginning of year	\$ 41,955	\$ 117,740
Funding received	397,605	399,694
Funding recognized as revenue	<u>(354,992)</u>	<u>(475,479)</u>
Balance, end of year	<u>\$ 84,568</u>	<u>\$ 41,955</u>

### 5. COMMITMENT

The Foundation occupies premises under the terms of a lease which originally was to expire on August 31, 2022. The lease was terminated effective December 31, 2020 and no further commitments are due under the lease. 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:

2020	19,985
------	--------

# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - continued

Year ended November 30, 2019

---

### 6. 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 through regular review of its cash flow.

#### 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. At November 30, 2019, approximately 98% of accounts receivable (2018 - 38%) is from one funder.

### 7. IMPACT OF COVID-19 AND SUBSEQUENT EVENTS

During January 2020, the World Health Organization declared a public health emergency due to the outbreak of a strain of the novel coronavirus ("COVID-19"). As a result, a series of public health and emergency measures were put in place to combat the spread of the virus and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

During fiscal 2019, the continuation of COVID-19 and related global responses have caused material disruptions to businesses around the world leading to an economic slowdown. Global equity markets have experienced significant volatility and strengthening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Management continues to closely monitor its performance and cash flow to assess if any further action is required based on the COVID-19 guidelines provided by the federal and provincial authorities.

While governments and central banks have reacted with monetary and fiscal interventions, designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.