

Audited Financial Statements of

**HERBERT H. CARNEGIE  
FUTURE ACES FOUNDATION**

Year ended November 30, 2014



**GEOFF CREWE**  
*chartered accountant*



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*Chartered Professional Accountant*

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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, 2014, 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Geoff Crewe, CPA, CA  
Licensed Public Accountant

Toronto, Canada  
May 19, 2015

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF FINANCIAL POSITION

November 30, 2014, with comparative figures for 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 285,164	\$ 261,118
Short-term investment (cost - \$4,103 in 2013)	-	5,567
Accounts receivable (net of allowance for doubtful accounts of \$2,114; \$2,000 in 2013)	13,721	28,000
HST receivable	15,227	12,407
Deposits and prepaid expenses	6,389	6,460
	<u>320,501</u>	<u>313,552</u>
<b>Capital assets (note 3)</b>	<u>1,502</u>	<u>1,923</u>
	<u>\$ 322,003</u>	<u>\$ 315,475</u>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 105,532	\$ 99,349
Government remittances payable	105	166
Unearned revenue (note 4)	164,528	183,095
	<u>270,165</u>	<u>282,610</u>
 <b>NET ASSETS</b>		
Invested in capital assets	1,502	1,923
Unrestricted	50,336	30,942
	<u>51,838</u>	<u>32,865</u>
Commitment (note 5)	<u>\$ 322,003</u>	<u>\$ 315,475</u>

Approved by:

Paul Breithwaite  
Director

**HERBERT H. CARNEGIE FUTURE ACES FOUNDATION**

**STATEMENT OF REVENUE AND EXPENSES**

Year ended November 30, 2014, with comparative figures for 2013

	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Foundations and government grants	\$ 251,985	\$ 281,417
Other sponsorships, donations and fundraising	236,030	172,982
Corporate sponsorship	92,582	91,573
Interest and unrealized investment gains	239	899
	<u>580,836</u>	<u>546,871</u>
<b>Expenses</b>		
Education project	314,828	280,585
Office and administration	139,112	120,814
Scholarship awards and expenses	66,351	32,848
Fundraising costs	41,572	26,978
	<u>561,863</u>	<u>461,225</u>
<b>Excess of revenue over expenses</b>	<u>\$ 18,973</u>	<u>\$ 85,646</u>

HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

Year ended November 30, 2014, with comparative figures for 2013

	2014			2013
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,923	\$ 30,942	\$ 32,865	\$ (52,781)
Excess (deficiency) of revenue over expenses	(421)	19,394	18,973	85,646
<b>Balance, end of year</b>	<b>\$ 1,502</b>	<b>\$ 50,336</b>	<b>\$ 51,838</b>	<b>\$ 32,865</b>

# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## STATEMENT OF CASH FLOWS

Year ended November 30, 2014, with comparative figures for 2013

	<u>2014</u>	<u>2013</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 18,973	\$ 85,646
Amortization not requiring an outlay of cash	421	564
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	14,279	(21,413)
Decrease (increase) in HST receivable	(2,820)	7,585
Decrease (increase) in prepaid expenses and deposits	71	(1,999)
Increase in accounts payable and accrued liabilities	6,183	9,455
Increase (decrease) in government remittances payable	(61)	166
Increase (decrease) in unearned revenue	(18,567)	32,235
	<u>18,479</u>	<u>112,239</u>
<b>Investing activities</b>		
Decrease (increase) in short-term investment	5,567	(5,567)
Decrease in endowment fund	-	21,084
	<u>5,567</u>	<u>15,517</u>
<b>Increase in cash</b>	24,046	127,756
Cash, beginning of year	<u>261,118</u>	<u>133,362</u>
<b>Cash, end of year</b>	<u>\$ 285,164</u>	<u>\$ 261,118</u>

# HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

Year ended November 30, 2014

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### 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 /DATE.

### 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 \$5,154 of donated goods for which tax receipts were issued.

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, 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **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.

e) **Financial instruments**

Financial instruments, including cash, short-term investment, 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 has elected to carry them at fair value. The Foundation has elected to carry only its short-term investment at fair value.

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, 2014

**3. CAPITAL ASSETS**

	<b>2014</b>			<b>2013</b>
	Cost	Accumulated amortization	Net book Value	Net book Value
Computers	\$ 10,379	\$ 10,299	\$ 80	\$ 146
Office furniture and equipment	<u>4,537</u>	<u>3,115</u>	<u>1,422</u>	<u>1,777</u>
	<u>\$ 14,916</u>	<u>\$ 13,414</u>	<u>\$ 1,502</u>	<u>\$ 1,923</u>

Amortization of \$421 is included in office and administration expenses in 2014 (\$564 in 2013).

**4. UNEARNED REVENUE**

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 183,095	\$ 150,860
Funding received	495,951	401,495
Funding recognized as revenue	<u>(514,518)</u>	<u>(369,260)</u>
Balance, end of year	<u>\$ 164,528</u>	<u>\$ 183,095</u>

**5. COMMITMENT**

The Foundation occupies premises under the terms of a lease which expired on January 31, 2015. Subsequent to the fiscal year-end, the lease was renewed for a further one-year term ending on January 31, 2016. 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.

## HERBERT H. CARNEGIE FUTURE ACES FOUNDATION

### NOTES TO FINANCIAL STATEMENTS (continued)

Year ended November 30, 2014

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#### 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. CAPITAL MANAGEMENT

The Foundation currently does not have permanent capital other than excess revenue over expenses that may exist from time-to-time. The Foundation relies on grants, sponsorships, donations and fundraising to fulfill its mandates and necessarily maintains adequate flexibility in its operations.