

CLASSROOM CHAMPIONS
Financial Statements
Year Ended July 31, 2018

CLASSROOM CHAMPIONS
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Year Ended July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Classroom Champions

I have audited the accompanying financial statements of Classroom Champions, which comprise the statement of financial position as at July 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow 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 qualified audit opinion.

Basis for Qualified Opinion

For the year ended July 31, 2018 and the prior period ended July 31, 2017, Classroom Champions has elected to recognize contributed services performed by volunteers of the organization as a donated service revenue and offsetting expense for the cost of services had they not been provided on a volunteer basis. I was unable to obtain sufficient appropriate audit evidence about the completeness and value of these amounts due to the nature of the services. Consequently, I was unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

(continues)

Independent Auditor's Report to the Board of Directors of Classroom Champions *(continued)*

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 Classroom Champions as at July 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
January 31, 2019

Garrett S. Popadynetz Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

CLASSROOM CHAMPIONS
Statement of Financial Position
July 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	297,363	289,419
Term deposits	125,232	323,000
Accounts receivable	11,080	7,256
Interest receivable	2,232	1,414
Goods and services tax recoverable	8,227	7,066
Prepaid expenses	-	7,210
	444,134	635,365
LOANS / ADVANCES DUE FROM RELATED PARTIES	212,967	-
	657,101	635,365
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	43,135	27,222
Deferred contributions (Note 7)	215,000	255,000
Due to related parties (Note 6)	107,134	1,343
	365,269	283,565
NET ASSETS	291,832	351,800
	657,101	635,365

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

CLASSROOM CHAMPIONS
Statement of Revenues and Expenditures
Year Ended July 31, 2018

	2018	2017
REVENUE		
Corporate donations	771,783	516,949
Individual donations	146,927	55,633
Grants	-	50,000
	<u>918,710</u>	<u>622,582</u>
PROGRAM EXPENSES		
Program Support	305,557	302,972
School Infrastructure & Student Engagement	92,330	74,159
Program administration	81,642	31,712
Community Development	21,445	31,631
Mentor Support	4,869	5,814
	<u>505,843</u>	<u>446,288</u>
GROSS PROFIT	<u>412,867</u>	<u>176,294</u>
EXPENSES		
Fundraising	350,614	127,936
Administrative	123,650	55,510
	<u>474,264</u>	<u>183,446</u>
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(61,397)</u>	<u>(7,152)</u>
OTHER INCOME (EXPENSES)		
Donated service revenue	1,129,751	731,500
Interest on investments	2,232	2,500
Other income	-	1,607
Foreign exchange gains and losses	(803)	1,508
Expenditure for donated services	(1,129,751)	(731,500)
	<u>1,429</u>	<u>5,615</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(59,968)</u>	<u>(1,537)</u>

See notes to financial statements

CLASSROOM CHAMPIONS
Statement of Changes in Net Assets
Year Ended July 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	351,800	353,337
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(59,968)</u>	<u>(1,537)</u>
NET ASSETS - END OF YEAR	<u>291,832</u>	<u>351,800</u>

CLASSROOM CHAMPIONS
Statement of Cash Flow
Year Ended July 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	<u>(59,968)</u>	(1,537)
Changes in non-cash working capital:		
Accounts receivable	(3,824)	167,745
Interest receivable	(818)	4,892
Prepaid expenses	7,210	(5,460)
Accounts payable and accrued liabilities	15,913	19,136
Deferred income	(40,000)	722
Goods and services tax payable	<u>(1,161)</u>	(7,066)
	<u>(22,680)</u>	179,969
Cash flow from (used by) operating activities	<u>(82,648)</u>	178,432
FINANCING ACTIVITY		
Advances from related parties	<u>(107,176)</u>	(15,575)
INCREASE (DECREASE) IN CASH FLOW	(189,824)	162,857
Cash - beginning of year	<u>612,419</u>	449,562
CASH - END OF YEAR	<u>422,595</u>	612,419
CASH CONSISTS OF:		
Cash	297,363	289,419
Term deposits	<u>125,232</u>	323,000
	<u>422,595</u>	612,419

See notes to financial statements

CLASSROOM CHAMPIONS
Notes to Financial Statements
Year Ended July 31, 2018

1. PURPOSE OF THE ORGANIZATION

Classroom Champions (the "Organization") is a not-for-profit organization incorporated federally under the Canada Not-for-profit Corporations Act. As a registered charity the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Organization operates to provide leadership training programs and workshops to educate youth; network and development opportunities for educators; community building activities to enrich the lives of youth and families; and programming opportunities to develop quality role models in society.

August 1, 2016, the Classroom Champions not-for-profit corporation and Back to School Project Foundation registered charity were amalgamated. Back to School Project Foundation was created to have Classroom Champions programming operating as a charity to provide further incentive to donors.

The Amalgamated Corporations mandate will be the same as those of Back To School Project Foundation.

There is one class of Members in the Amalgamated Corporation. Upon issuance of the Certificate of Amalgamation, all existing full members of Back To School Project Foundation and Classroom Champions were deemed to be Members of the Corporation.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and short term investments

Cash and cash equivalents consist primarily of deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Investments and other non-cash assets

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary income from investments, receivables, and similar assets is accounted for in the fund owning the assets, with the exception of income derived from investment of endowments funds. Unrestricted endowment fund investments are accounted for as revenue of the operation fund or, if they are restricted, as deferred amounts until the terms of the restriction have been met.

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CLASSROOM CHAMPIONS
Notes to Financial Statements
Year Ended July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Classroom Champions follows the deferral method of accounting for sponsorship income and contributions. Corporate sponsorship supporting programming and organization activities are unrestricted and are recognized in revenue in the fiscal year to which the sponsorship relates.

Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Seminar fees are recognized as revenue when the seminars are held.

Foreign currency translation

All amounts in the accompanying financial statements are stated in Canadian dollars. Currency translations into Canadian dollars are made as follows:

- a) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
- b) non-monetary items at rates prevailing when they are acquired;
- c) administration costs at average rates for the period.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When the Organization issues financial instruments that include both a debt and equity component, the entire proceeds are allocated to the debt component, and the equity component is assigned a measurement amount of \$nil.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

Taxes

The Organization is a registered charity exempt from federal income taxes under paragraph 149(1)(f) of the Income Tax Act (ITA) of Canada.

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CLASSROOM CHAMPIONS
Notes to Financial Statements
Year Ended July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocation of expenses

The Organization allocates salary costs for the CEO and management to three functional areas: programming, fundraising and administration based on the time spent on these activities during the year.

Salaries allocated to Programming were determined to be 33% for the CEO and 50% for management during the period (2017 - 75/50%) for a total of \$25,463.

Salaries allocated to Fundraising activities were determined to be 57% for the CEO and 20% for management during the period (2017 - 15/20%) for a total of \$43,981.

Salaries allocated to Administrative activities were determined to be 10% for the CEO and 30% for management during the period (2017 - 10/30%) for a total of \$7,716.

Contributed services

Donations of materials and services are recognized when the fair value can be reasonably estimated and materials and services are used in the normal course of operations.

Goods and Services Tax

Contributed materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Net assets

- a) Net assets invested in property and equipment represents the Organization's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the Organization's Board of Directors. There are no internally restricted net assets at July 31, 2018.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Organization each year, not of transfers, and are available for general purposes.

4. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of July 31, 2018.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from donations and other related sources, and accounts payable.

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CLASSROOM CHAMPIONS
Notes to Financial Statements
Year Ended July 31, 2018

4. FINANCIAL INSTRUMENTS *(continued)*

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its cash equivalents which are held as interest bearing certificates.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the Organization's related party transactions:

	2018	2017
Classroom Champions USA (CC US) <i>(affiliated organization)</i>		
Advance of funds for expenses relating to CC US	(107,176)	(16,138)
Foreign exchange gains	-	563
	(107,176)	(15,575)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. DUE TO RELATED PARTIES

	2018	2017
Classroom Champions USA	107,134	1,343

Advances from a related Organization are non-interest bearing and have no set repayment terms. The Organization is related by common board of directors and management.

7. DEFERRED CONTRIBUTIONS

Corporate sponsorship supporting programming and organization activities are unrestricted and are recognized in revenue in the fiscal year to which the sponsorship relates.

	2018	2017
Deferred corporate sponsorship contributions	\$ 215,000	\$ 255,000

All amounts are expected to be recognized in the 2019 fiscal year.

CLASSROOM CHAMPIONS
Notes to Financial Statements
Year Ended July 31, 2018

8. Alberta Charitable Fundraising Act

As required under Alberta's Charitable Fundraising Act and Regulation, the following amounts are disclosed for activity in the province of Alberta.

	<u>2018</u>	<u>2017</u>
Revenue		
Gross contributions received	<u>918,710</u>	622,582
Subtotal	<u>918,710</u>	622,582
Expenses		
Total fundraising costs	350,614	127,936
Total administrative costs	123,650	55,510
Total remuneration paid to employees whose duties involve fundraising	<u>50,995</u>	21,243
	525,259	204,689
