ELEPHANT THOUGHTS
GLOBAL DEVELOPMENT INITIATIVES

OPERATING AS "ELEPHANT THOUGHTS"

FINANCIAL STATEMENTS

AUGUST 31, 2013

CONTENTS

ELEPHANT THOUGHTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Elephant Thoughts Global Development Initiatives:

Report on the Financial Statements

We have audited the accompanying financial statements of Elephant Thoughts Global Development Initiatives, which comprise the balance sheet as at August 31, 2013, and the statement of operations and net assets and cash flow statement 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 organization'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 organization'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Elephant Thoughts Global Development Initiatives derives contribution revenue from charitable cash donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Consequently, we were unable to determine whether any adjustments to revenues, excess of revenues over expenses, assets or net assets were necessary.

Qualified Opinion

In our 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 Elephant Thoughts Global Development Initiatives as at August 31, 2013, 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.

Comparative Information

Without modifying our qualified opinion, we draw attention to Note 2 to the financial statements which describes that Elephant Thoughts Global Development Initiatives adopted Canadian accounting standards for not-for-profit organizations on September 1, 2012 with a transition date of September 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheet as at August 31, 2012 and the statements of operations and net assets, and cash flow for the year ended August 31, 2012 and related disclosures.

Gaviller & Company LLP

Licensed Public Accountants
Collingwood, Ontario
November 6, 2013

ELEPHANT THOUGHTS
GLOBAL DEVELOPMENT INITIATIVES
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BALANCE SHEET
AS AT AUGUST 31

	2013	2012
	$	$
Assets		
Current		
Cash	**-**	42,754
Accounts receivable	**225,501**	145,231
Prepaid expenses	**5,068**	3,861
Inventories (Note 3)	**113,565**	134,067
	344,134	325,913
Property and equipment (Note 4)	**1,194,473**	1,038,901
	1,538,607	1,364,814
Liabilities		
Current		
Bank overdraft	**126,773**	-
Accounts payable and accruals	**121,848**	101,265
Government remittances payable	**17,171**	14,933
Due to related parties (Note 9)	**32,500**	-
Deferred revenue (Note 6)	**4,646**	216,929
Current portion of long-term	**218,017**	216,087
	520,955	549,214
Long-term (Note 5)	**550,109**	519,866
	1,071,064	1,069,080
Deferred capital contributions (Note 7)	**211,830**	170,396
	1,282,894	1,239,476
Net assets		
Unrestricted	**255,713**	125,338
	1,538,607	1,364,814

Approved on behalf of the board:

______________________________ Director

______________________________ Director

See accompanying notes to the financial statements

ELEPHANT THOUGHTS
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STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED AUGUST 31

	2013	2012
	$	$
Revenues		
Contributions and other (Notes 9 & 10)	**202,916**	157,295
Program fees	**2,484,725**	1,482,484
Government grants	**48,880**	80,325
Store sales	**160,118**	37,580
	2,896,639	1,757,684
Expenses		
Advertising and promotion	**42,146**	48,666
Bank charges	**6,675**	6,438
Consumables	**228,308**	130,242
Contract labour (Note 9)	**386,003**	303,607
Cost of sales - store	**99,130**	22,280
Grant	**13,459**	12,547
Insurance	**20,527**	16,536
Interest	**36,771**	20,616
International (Note 9)	**150,883**	136,312
Office	**54,212**	44,584
Other (Note 9)	**44,632**	31,015
Professional fees	**8,558**	9,453
Rent	**-**	32,697
Repairs and maintenance	**11,136**	5,360
Telephone and utilities	**25,781**	18,762
Travel	**395,658**	219,987
Vehicle	**45,128**	40,561
Wages and benefits (Note 9)	**1,097,944**	536,311
	2,666,951	1,635,974
Excess of revenues over expenses before undernoted items	**229,688**	121,710
Amortization of deferred capital contributions	**26,668**	20,296
Amortization of property and equipment	**(120,336)**	(79,930)
Loss on disposal of property and equipment	**(5,645)**	(3,451)
	(99,313)	(63,085)
Excess of revenues over expenses for the year	**130,375**	58,625
Net assets, beginning of year	**125,338**	66,713
Net assets, end of year	**255,713**	125,338

See accompanying notes to the financial statements

ELEPHANT THOUGHTS
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CASH FLOW STATEMENT
FOR THE YEAR ENDED AUGUST 31

	2013	2012
	$	$
Cash flows from (for):		
Operating activities		
Excess of revenues over expenses for the year	**130,375**	58,625
Items not involving cash		
Amortization of property and equipment	**120,336**	79,930
Amortization of deferred capital contributions	**(26,668)**	(20,296)
Loss on disposal of property and equipment	**5,645**	3,451
	229,688	121,710
Changes in		
Accounts receivable	**(80,270)**	18,289
Prepaid expenses	**(1,207)**	(3,611)
Inventories	**20,502**	(37,675)
Accounts payable and accruals	**20,582**	69,637
Government remittances payables	**2,238**	6,831
Deferred revenue	**(212,283)**	(71,631)
	(20,750)	103,550
Financing activities		
Due to related parties	**32,500**	-
Repayment of long-term liabilities	**(73,285)**	(54,982)
Deferred capital contributions	**7,565**	128,776
	(33,220)	73,794
Investing activities		
Proceeds from sale of property and equipment	**500**	-
Purchase of property and equipment (Note 4)	**(116,057)**	(222,294)
	(115,557)	(222,294)
Change in cash	**(169,527)**	(44,950)
Cash and cash equivalents, beginning of year	**42,754**	87,704
Cash and cash equivalents, end of year	**(126,773)**	42,754
Comprised of:		
Unrestricted	**(131,419)**	(174,175)
Externally restricted (Niskamoon project)	**-**	205,626
Externally restricted (BMVA)	**-**	6,400
Externally restricted (Other)	**4,646**	4,903
	(126,773)	42,754

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

Nature of the organization

Elephant Thoughts Global Development Initiatives ("the organization") is a registered charity incorporated under the Canada Corporations Act on April 26, 2002. The organization's mandate is to help promote high standards of education worldwide despite economic or geographic barriers while supporting initiatives which propagate cultural understanding and sharing among school aged children. The organization is exempt from income taxes pursuant to Section 149(1)(l) of the Income Tax Act.

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (referred to as "ASNFPO") and are in accordance with Canadian generally accepted accounting principles (GAAP).

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements:

(a) Revenue recognition

The organization derives its operating revenue from contributions, program fees, government grants and retail store sales which are accounted for under the deferral method of accounting. Unrestricted contributions are recognized as revenue when earned and collection is reasonably assured. Restricted contributions for operating expenditures are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions relating to depreciable property and equipment are deferred and amortized over the useful life of the depreciable property and equipment acquired.

(b) Property and equipment

Property and equipment are recorded at cost. Cost includes the purchase price and other acquisition costs such as installation costs, legal fees, survey costs, freight charges, transportation insurance costs, and duties. The cost incurred to enhance the service potential of an item of property and equipment (betterment) is also included in the cost of an asset.

Amortization is provided to allocate the cost of assets over their estimated useful lives, beginning with half the amortization amount being taken in the first year of service. Provision is made for amortization as follows:

Building	5%	declining balance
Computers	50%	straight-line
Equipment	20%	declining balance
Signs	20%	declining balance
Trailers	20%	declining balance
Vehicles	30%	declining balance

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

1. Summary of significant accounting policies (continued)

(c) Collections

The organization's collections consist of fossils and cast replicas. The collections are recorded in property and equipment and are not amortized as they have an unlimited useful life. Any expenditures on collections during the year were recorded as additions to property and equipment. There were no collection items sold during the year.

(d) Inventories

The organization's store inventory is recorded at the lower of cost and net realizable value and consumables inventory is recorded at the lower of cost and replacement cost. The store inventory is valued using the average cost method while the consumables inventory is valued using the first-in, first-out method. Store inventory consists of retail merchandise and consumables inventory consists of handouts and other materials used in the delivering of programs.

(e) Deferred capital contributions

Deferred capital contributions reported in the statement of financial position include the estimated fair value of the contributed property and equipment at the time they were donated. Deferred capital contributions are amortized on the same basis as the donated asset and recorded as an offset to amortization expense.

(f) Financial instruments

The organization considers any contract that creates a financial asset, a financial liability or equity instrument as a financial instrument, except in limited items such as leases and loan commitments.

Initial recognition and measurement

A financial asset or a financial liability is recognized when the organization becomes a party to the contractual provisions of the financial instrument.

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction, are initially measured at their fair value.

Subsequent measurement

Changes in fair value of investments in equity instruments, as quoted in an active market, are recognized in operations in the period incurred. All other financial assets and financial liabilities are measured at amortized cost.

Impairment

At the end of each reporting period, the organization assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired.

(g) Contributed services

The organization receives volunteer services from many individuals. Since these services are not normally purchased by the organization and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

1. Summary of significant accounting policies (continued)

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known. Significant estimates include the useful lives of property and equipment and deferred capital contributions. Actual results could differ from those estimates.

2. First time adoption of Canadian Accounting Standards for Not-For-Profit Organizations

Effective September 1, 2012, the organization adopted the requirements of the CICA Handbook and has adopted Canadian accounting standards for not-for-profit organizations (ASNFPO). This framework is in accordance with Canadian GAAP. These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the significant policies note have been applied in preparing the financial statements for the year ended August 31, 2013, the comparative information presented in these financial statements for the year ended August 31, 2012 and in the preparation of an opening statement of financial position at September 1, 2011 – which is the organization's date of transition.

The organization issued financial statements for the year ended August 31, 2012 using pre-changeover generally accepted accounting principles prescribed by the CICA Handbook. The adoption of ASNFPO had no impact on the previously reported assets, liabilities, and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statements of operations, changes in net assets and cash flow. Thus an opening statement of financial position as at August 1, 2011 has not been presented. Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of ASNFPO.

3. Inventories

Inventories consists of:

	2013	2012
	$	$
Consumables	**64,218**	60,783
Store	**49,347**	72,343
Snack bar	**-**	941
	113,565	134,067

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

4. Property and equipment

Property and equipment are comprised of:

	2013	2012
	$	$
Cost		
Land	**250,000**	250,000
Building	**638,401**	500,014
Collections	**21,422**	21,422
Computers	**26,373**	19,658
Equipment	**333,156**	322,051
Signs	**6,904**	5,143
Trailers	**18,301**	15,136
Vehicles	**273,671**	196,688
	1,568,228	1,330,112
Accumulated amortization		
Building	**40,335**	12,500
Computers	**19,746**	16,053
Equipment	**176,276**	146,170
Signs	**1,616**	514
Trailers	**7,952**	6,098
Vehicles	**127,830**	109,876
	373,755	291,211
	1,194,473	1,038,901

During the year, property and equipment were acquired at an aggregate of $282,053 (2012 - $896,082) of which $105,459 (2012 - $673,788) were acquired by means of long-term liabilities, $60,537 (2012 - $NIL) were contributed and $116,057 (2012 - $222,294) were acquired with cash.

Included in vehicles are six assets under capital lease with a cost of $182,881 (2012 - $77,422) and accumulated amortization of $91,565 (2012 - $26,555).

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

5. Long-term liabilities

Long-term liabilities consists of the following:

	2013	2012
	$	$
(a) 8.00% (rate adjusted annually on anniversary date of loan) loan payable to Georgian Triangle and Dufferin County Economic Development Corporation. Blended principal and interest repayments of $1,465 monthly, due March 2014. Secured by a general security agreement over accounts receivable, inventories, equipment and building, and personal guarantees.	**142,023**	147,432
(b) 3.79% capital lease payable to TD Auto Finance. Repayable in blended bi-weekly payments of $389, due June 2019. Secured by vehicle with a net book value of $40,656.	**52,977**	-
(c) 3.99% capital lease payable to TD Auto Finance. Repayable in blended monthly payments of $772, due February 2018. Secured by vehicle with a net book value of $31,554.	**38,087**	-
(d) 8.88% loan payable to Chrysler Financial. Repayable in blended monthly payments of $766, due January 2014. Secured by vehicle with a net book value of $5,158 (2012- $7,369).	**3,727**	12,179
(e) Mortgage payable to TD Canada trust at a rate of prime + 1%. Repayable in monthly principal payments of $2,107 plus interest, due March 2017 and secured by the land and building.	**469,231**	494,480
(f) 6.99% loan payable to Ally Financial. Repayable in blended monthly payments of $705, due July 2013. Secured by a vehicle with a net book value of $6,027 (2012 - $8,611).	**-**	7,493
(g) 0.00% capital lease payable to Chrysler Financial. Repayable in monthly principal payments of $221, due September 2014. Secured by a vehicle with a net book value of $2,113 (2012 - $3,018).	**2,864**	5,502
(h) 4.99% loan payable to Chrysler Financial. Repayable in blended monthly payments of $787, due May 2014. Secured by a vehicle with a net book value of $9,867 (2012 - $14,095).	**6,937**	15,792
(i) 9.40% capital lease to Chrysler Financial. Repayable in blended monthly payments of $792, due August 2016. Secured by a vehicle with a net book value of $20,020 (2012 - $28,600).	**24,535**	32,947

5. Long-term liabilities (continued)

(j) 8.99% capital lease to Chrysler Financial. Repayable in blended monthly payments of $711, due May 2015. Secured by a vehicle with a net book value of $13,473 (2012 - $19,247).	**12,580**	20,128
(k) 4.90% capital lease to Toyota Canada. Repayable in blended monthly payments of $504, due June 2016. Secured by a vehicle with a net book value of $17,440.	**15,165**	-
	768,126	735,953
Less portion due within one year	**(218,017)**	(216,087)
	550,109	519,866

Principal retirement requirements for subsequent years are:

2014	218,017
2015	61,041
2016	54,858
2017	411,609
2018	14,182
Thereafter	8,419

As a condition of the organization's loan with the Georgian Triangle and Dufferin County Economic Development Corporation (EDC), certain covenants must be met or the EDC would be able to call the loan prior to its maturity date. All such covenants were met at year end.

6. Deferred revenue

Deferred revenue includes restricted operating funding received from the Niskamoon Corporation which will be spent in the following fiscal year when the corresponding expenditures will be incurred. The Niskamoon contract was not renewed for fiscal year 2014 and no revenues were deferred as a result.

Deferred revenue consists of the following:

	2013	**2012**
	$	$
Niskamoon project	**-**	205,626
Blue Mountain Village Association	**-**	6,400
Other	**4,646**	4,903
	4,646	216,929

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

7. Deferred capital contributions

Deferred capital contributions represent contributions restricted by the donors for the purchase of property and equipment. The changes in deferred capital contributions for the year are as follows:

	2013	2012
	$	$
Balance, beginning of year	**170,396**	61,916
Building capital contributions	**64,637**	66,200
Trailer contributions	**3,465**	3,600
Zoo Guts project	**-**	58,976
Amortization of deferred capital contributions	**(26,668)**	(20,296)
Balance, end of year	**211,830**	170,396

8. Financial instruments

The organization's financial instruments consist of accounts receivable, bank overdraft, accounts payable, government remittances payable, due to related parties and long-term liabilities.

The organization is not exposed to market risk, currency risk, credit risk nor other price risk.

Financial risks

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognized at the balance sheet date whereby a future change in interest rates will affect future cash flows or the fair value of fixed financial instruments. It is management's opinion that the organization is not exposed to significant interest rate risk arising from these financial instruments.

(b) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements. Additional cash requirements are met with the use of the available overdraft function of the bank. The available bank overdraft and periodic loans from the board of directors and management provide flexibility in the short-term to meet operational needs.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AUGUST 31, 2013

9. Related party transactions

Included in wages and benefits is $23,500 (2012 - $20,000) paid to a director for financial consulting services and included in contract labour is $94,000 paid to the executive director (2012 - $70,800) for program delivery services. All services are performed in the normal course of operations. These transactions were recorded using the exchange value of the services performed.

During the year, a director made interest-free loans to the organization to cover short-term cash needs. $32,500 (2012 - $NIL) was outstanding on the loan at year end.

During the year, $10,550 (2012 - $12,600) was recorded as a donation-in-kind from a director who performed consulting services for grant applications. The revenue is included in contributions and the expense is included in other expenses.

Included in international expenses is $103,452 (2012 - $76,016) paid to Elephant Thoughts Tanzania (ETT), a not-for-profit non-governmental organization acting as an agent for the purpose of building and setting up operations of new schools. The organization is currently the sole source of ETT's funding and as a result, the organization can significantly influence their operations.

10. Contribution revenue

During the year a major source of contribution revenue was received from the National Sciences and Engineering Research Council of Canada in the amount of $30,000 (2012 - $30,000).