ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH

OPERATING AS "ELEPHANT THOUGHTS"

FINANCIAL STATEMENTS

JUNE 30, 2017

CONTENTS

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Elephant Thoughts Educational Outreach:

Report on the Financial Statements

We have audited the accompanying financial statements of Elephant Thoughts Educational Outreach, which comprise the balance sheet as at June 30, 2017, and the statement of operations and net assets and cash flow statement for the year 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 Educational Outreach 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 Educational Outreach as at June 30, 2017, and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow SGB LLP
Licensed Public Accountants
Collingwood, Ontario
September 11, 2017

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH

OPERATING AS "ELEPHANT THOUGHTS"

BALANCE SHEET
AS AT JUNE 30

	2017	2016
	$	$
Assets		
Current		
Accounts receivable	**205,424**	153,535
Prepaid expenses	**49,304**	31,427
Inventories (Note 2)	**194,309**	157,256
	449,037	342,218
Tangible capital assets (Note 3)	**1,656,081**	1,484,198
Intangibles - software (net of accumulated amortization of $27,054; 2016 - $19,019)	**32,931**	39,380
	2,138,049	1,865,796
Liabilities		
Current		
Bank overdraft (Note 4)	**228,113**	182,192
Accounts payable and accruals	**107,125**	120,579
Government remittances payable	**9,409**	-
Line of credit - construction (Note 10)	**241,286**	-
Due to related parties (Note 12)	**95,000**	-
Deferred revenue (Note 6)	**122,049**	93,268
Current portion of obligations under capital lease (Note 8)	-	701
Current portion of long-term	**60,335**	61,089
	863,317	457,829
Long-term (Note 9)	**612,973**	733,474
	1,476,290	1,191,303
Deferred capital contributions (Note 7)	**166,640**	190,242
	1,642,930	1,381,545
Net assets		
Unrestricted	**495,119**	484,251
	2,138,049	1,865,796

Approved on behalf of the board:

_______________ Director

_______________ Director

See accompanying notes to the financial statements

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH

OPERATING AS "ELEPHANT THOUGHTS"

STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED JUNE 30

	2017	2016
	$	$
Revenues		
Contributions and other	**265,148**	570,987
Program fees	**907,585**	1,004,165
Grants	**362,631**	175,047
Store sales	**225,578**	222,017
	1,760,942	1,972,216
Expenses		
Advertising and promotion	**29,179**	16,901
Bank charges	**9,186**	9,895
Consumables	**80,482**	119,084
Contract labour (Note 12)	**177,042**	307,319
Cost of sales - store	**130,880**	133,815
Cost of film series	**20,673**	8,915
Donations	**6,205**	99,269
Insurance	**27,916**	21,495
Interest	**46,152**	42,021
International (Note 12)	**86,624**	183,879
Office	**43,334**	22,265
Other	**25,988**	16,634
Professional fees	**18,250**	19,819
Repairs and maintenance	**37,612**	22,884
Telephone and utilities	**21,964**	14,159
Travel	**120,523**	193,817
Vehicle	**39,769**	31,700
Wages and benefits	**728,457**	627,977
	1,650,236	1,891,848
Excess of revenues over expenses from operations	**110,706**	80,368
Amortization of deferred capital contributions (Note 7)	**23,602**	23,124
Amortization of tangible capital assets and intangibles	**(118,606)**	(109,467)
(Loss) gain on disposal of tangible capital assets	**(4,834)**	7,179
	(99,838)	(79,164)
Excess of revenues over expenses for the year	**10,868**	1,204
Net assets, beginning of year	**484,251**	223,375
Contributed land - Kimbercote	**-**	259,672
Net assets, end of year	**495,119**	484,251

See accompanying notes to the financial statements

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH

OPERATING AS "ELEPHANT THOUGHTS"

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30

	2017	2016
	$	$
Cash flows from (for):		
Operating activities		
Excess of revenues over expenses for the year	10,868	1,204
Items not involving cash		
Amortization of tangible capital assets and intangibles	118,606	109,467
Amortization of deferred capital contributions	(23,602)	(23,124)
Loss (gain) on disposal of tangible capital assets	4,834	(7,179)
	110,706	80,368
Changes in		
Accounts receivable	(51,889)	36,411
Prepaid expenses	(17,877)	5,124
Inventories	(37,053)	(17,701)
Accounts payable and accruals	(13,454)	38,436
Government remittances payable	9,409	(17,319)
Deferred revenue	28,782	6,757
	28,624	132,076
Financing activities		
Proceeds from long-term liabilities and line of credit	241,286	32,712
Due to related parties	95,000	-
Repayment of long-term liabilities	(121,255)	(59,167)
Repayment of obligations under capital lease	(702)	(8,412)
Deferred capital contributions	-	55,881
	214,329	21,014
Investing activities		
Proceeds from sale of tangible capital assets	-	98,062
Purchase of tangible capital assets	(287,288)	(266,552)
Purchase of intangibles	(1,586)	(10,247)
	(288,874)	(178,737)
Change in cash	(45,921)	(25,647)
Cash, beginning of year	(182,192)	(156,545)
Cash, end of year	(228,113)	(182,192)
Comprised of:		
Unrestricted	(350,162)	(275,460)
Externally restricted (First Nation Summer Camps)	93,302	62,152
Externally restricted (Local summer camps)	6,725	7,528
Externally restricted (Summer festivals)	22,022	23,288
Externally restricted (Kimbercote)	-	300
	(228,113)	(182,192)

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

Nature of the Organization

Elephant Thoughts Educational Outreach ("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.

Contributions include proposals to third parties who are not the direct beneficiaries of the proposed programs. 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 tangible capital assets are deferred and amortized over the useful life of the depreciable tangible capital assets acquired. In-kind contributions are recognized at fair market value.

Program fees include contracted services performed by the Organization and are recognized as revenue when earned and collection is reasonably assured.

Government grants are recognized as revenue when receivable and performance of any external restrictions has occurred.

(b) Collections

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

1. Summary of significant accounting policies (continued)

(c) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes the purchase price and other acquisition costs such as wages directly related to construction, 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 tangible capital assets (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:

Buildings	5%	declining balance
Computers	50%	declining balance
Equipment	20%	declining balance
Signs	20%	declining balance
Trailers	20%	declining balance
Vehicles	30%	declining balance

(d) Intangibles

Intangibles consists of externally purchased software programs and are stated at cost. Amortization is provided on a declining balance basis of 20%.

(e) 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 delivery of programs.

(f) Deferred capital contributions

Deferred capital contributions reported in the balance sheet include the estimated fair value of the contributed tangible capital assets at the time they were donated. Deferred capital contributions are amortized on the same basis as the donated asset.

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

1. Summary of significant accounting policies (continued)

(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.

(h) 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.

(i) 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 become known. Significant estimates include the useful lives of tangible capital assets and deferred capital contributions. Actual results could differ from those estimates.

2. Inventories

Inventories consists of:

	2017	2016
	$	$
Consumables	**130,171**	98,924
Store	**64,138**	58,332
	194,309	157,256

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

3. Tangible capital assets

Tangible capital assets are comprised of:

	2017	2016
	$	$
Cost		
Land	**553,827**	550,000
Collections	**25,200**	25,200
Buildings	**896,277**	711,011
Computers	**42,180**	36,539
Equipment	**536,415**	451,612
Signs	**8,996**	6,904
Trailers	**27,676**	20,401
Vehicles	**210,473**	234,161
Capital in progress	**38,000**	39,616
	2,339,044	2,075,444
Accumulated amortization		
Buildings	**157,304**	123,286
Computers	**39,361**	32,507
Equipment	**319,852**	276,311
Signs	**4,647**	4,083
Trailers	**14,776**	13,370
Vehicles	**147,023**	141,689
	682,963	591,246
	1,656,081	1,484,198

4. Operating line of credit

The Organization has an operating line of credit available in the amount of $200,000 with an interest rate of Prime plus 1%. At year end there were drawings of $86,325 (2016 - $108,508) against the line of credit.

5. Comparative figures

Certain comparative figures on the statement of operations and net assets have been reclassified to conform to the current year's financial statement presentation.

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

6. Deferred revenue

Deferred revenue consists of the following:

	2017	2016
	$	$
First Nation summer camps	**93,302**	62,152
Local summer camps	**6,725**	7,528
Summer festivals	**22,022**	23,288
Kimbercote	-	300
	122,049	93,268

7. Deferred capital contributions

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

	2017	2016
	$	$
Balance, beginning of year	**190,242**	157,485
Capital contributions - Kimbercote	-	55,881
Amortization of deferred capital contributions	**(23,602)**	(23,124)
Balance, end of year	**166,640**	190,242

8. Obligations under capital lease

Obligations under capital lease consist of the following:

	2017	2016
	$	$
9.40% capital lease to Chrysler Financial. Repayable in blended monthly payments of $792, due August 2016.	-	701

9. Long-term liabilities

Long-term liabilities consists of the following:

	2017	2016
	$	$
(a) 3.79% loan 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 $10,446 (2016 - $14,937).	**19,467**	28,658
(b) Loan payable to D. Keep, a Director in the Organization. Mortgage is an open mortgage with no set principal repayment schedule. Interest is a variable rate, which is equal to D. Keep's interest rate for her line of credit and is currently 3.85% and is payable monthly.	**-**	60,227
(c) Mortgage payable to TD Canada trust at a fixed rate of 4.51% per annum. Repayable in monthly blended payments of principal and interest in the amount of $4,695, due February 2019 and secured by land and building in Collingwood with a net book value of $769,547 (2016 - $773,620).	**605,577**	634,157
(d) 3.99% loan payable to TD Financial Services. Repayable in blended bi-monthly payments of $342, due July 2019. Secured by a vehicle with a net book value of $16,742 (2016 - $23,917).	**17,396**	25,422
(e) 4.00% loan payable to Kubota Canada. Repayable in blended monthly payments of $539, due April 2021. Secured by a vehicle with a net book value of $19,463 (2016 - $27,804).	**24,786**	31,191
(f) 3.99% loan payable to TD Auto Finance. Repayable in blended monthly payments of $772, due February 2018. Secured by vehicle with a net book value of $8,117 (2016 - $11,596).	**6,082**	14,908
	673,308	794,563
Less portion due within one year	**(60,335)**	(61,089)
	612,973	733,474

Principal retirement requirements for subsequent years are:

	$
2019	601,119
2020	6,466
2021	5,388

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

10. Line of credit - construction

This amount represents a 4.75% line of credit construction facility payable to PACE Savings and Credit Union Limited (PACE), which is secured by the property in Grey Highlands with a net book value of $523,253. The facility will convert to a commercial term loan no later than May 31, 2018. The term loan will be paid in monthly blended payments amortized over a twenty year period. As a condition of the Organization's loan with PACE, certain covenants must be met or PACE would be able to call the loan prior to its maturity date. All such covenants were met at year end.

11. Financial instruments

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

The Organization is not exposed to significant market risk, currency 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. The Organization has several vehicle loans and leases with fixed interest rates and a mortgage and construction facility with floating rates. Management uses a mix of floating and fixed rates in order to mitigate interest rate risk.

(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.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to accounts receivable. The Organization has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The Organization provides credit to its funders in the normal course of operations and mitigates credit risk by restricting access to programs and/or future programs in cases where accounts receivable remain outstanding.

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2017

12. Related party transactions

Included in contract labour is $27,600 (2016 - $27,600) paid to a director for financial consulting 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, multiple directors made loans to the Organization to cover short-term cash needs. $95,000 (2016 - $NIL) was outstanding on the loans at year end. Interest on the loans is payable at prime + 1%. There are no set terms of principal repayment.

Included in international expenses is $70,275 (2016 - $63,236) 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.