# ELEPHANT THOUGHTS
# EDUCATIONAL OUTREACH

**OPERATING AS "ELEPHANT THOUGHTS"**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**CONTENTS**

# 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, 2015, 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. Comparative information is provided for the ten months ended June 30, 2014.

**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, 2015, 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 8, 2015

# ELEPHANT THOUGHTS
# EDUCATIONAL OUTREACH
### OPERATING AS "ELEPHANT THOUGHTS"

## BALANCE SHEET
## AS AT JUNE 30

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current | | |
| Accounts receivable | **189,946** | 438,418 |
| Prepaid expenses | **36,551** | 46,134 |
| Inventories (Note 2) | **139,555** | 130,118 |
| | **366,052** | 614,670 |
| Tangible capital assets (Note 5) | **1,149,759** | 1,133,895 |
| Intangibles - software (net of accumulated amortization of $10,455; 2014 - $2,820) | **37,697** | 31,017 |
| | **1,553,508** | 1,779,582 |
| **Liabilities** | | |
| Current | | |
| Bank overdraft (Note 6) | **156,545** | 179,471 |
| Accounts payable and accruals | **82,142** | 76,941 |
| Government remittances payable | **17,319** | 31,108 |
| Due to related parties (Note 10) | **-** | 215,000 |
| Deferred revenue (Note 4) | **86,511** | 72,638 |
| Current portion of obligations under capital lease | **8,412** | 15,367 |
| Current portion of long-term | **57,645** | 48,160 |
| | **408,574** | 638,685 |
| Long-term (Note 7) | **763,373** | 727,657 |
| Obligations under capital leases (Note 8) | **701** | 9,113 |
| | **1,172,648** | 1,375,455 |
| Deferred capital contributions (Note 3) | **157,485** | 185,839 |
| | **1,330,133** | 1,561,294 |
| **Net assets** | | |
| Unrestricted | **223,375** | 218,288 |
| | **1,553,508** | 1,779,582 |

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, 2015**
**(with comparative figures for the ten months ended June 30, 2014)**

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Revenues | | |
| Contributions and other (Notes 10 & 11) | **979,394** | 778,376 |
| Program fees | **1,271,704** | 1,013,223 |
| Grants | **186,359** | 156,460 |
| Store sales | **149,799** | 114,270 |
| | **2,587,256** | 2,062,329 |
| Expenses | | |
| Advertising and promotion | **25,493** | 25,134 |
| Bank charges | **10,938** | 9,475 |
| Consumables | **206,716** | 103,908 |
| Contract labour | **191,944** | 237,053 |
| Cost of sales - store | **86,514** | 67,389 |
| Donations | **107,837** | 1,612 |
| Grant | **17,992** | 9,206 |
| Insurance | **19,101** | 17,897 |
| Interest | **49,833** | 34,304 |
| International (Note 10) | **108,110** | 138,497 |
| Office | **30,948** | 36,688 |
| Other (Note 10) | **38,570** | 28,031 |
| Professional fees | **17,685** | 23,356 |
| Repairs and maintenance | **21,704** | 23,653 |
| Telephone and utilities | **14,118** | 11,799 |
| Travel | **233,866** | 216,798 |
| Vehicle | **28,289** | 24,269 |
| Wages and benefits (Note 10) | **1,282,865** | 1,012,424 |
| | **2,492,523** | 2,021,493 |
| Excess of revenues over expenses before undernoted items | **94,733** | 40,836 |
| Amortization of deferred capital contributions (Note 3) | **28,354** | 27,791 |
| Amortization of tangible capital assets (Note 5) | **(113,353)** | (103,481) |
| Loss on disposal of tangible capital assets | **(4,647)** | (2,571) |
| | **(89,646)** | (78,261) |
| **Excess of (deficiency in) revenues over expenses for the period** | **5,087** | (37,425) |
| Net assets, beginning of period | **218,288** | 255,713 |
| **Net assets, end of period** | **223,375** | 218,288 |

See accompanying notes to the financial statements

# ELEPHANT THOUGHTS
# EDUCATIONAL OUTREACH
### OPERATING AS "ELEPHANT THOUGHTS"

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2015
**(with comparative figures for the ten months ended June 30, 2014)**

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| **Cash flows from (for):** | | |
| **Operating activities** | | |
| Excess of revenues over expenses for the period | **5,087** | (37,425) |
| Items not involving cash | | |
| Amortization of tangible capital assets | **113,353** | 103,481 |
| Amortization of deferred capital contributions | **(28,354)** | (27,791) |
| Loss on disposal of tangible capital assets | **4,647** | 2,571 |
| | **94,733** | 40,836 |
| Changes in | | |
| Accounts receivable | **248,472** | (212,917) |
| Prepaid expenses | **9,583** | (41,066) |
| Inventories | **(9,437)** | (16,552) |
| Accounts payable and accruals | **5,201** | (44,907) |
| Government remittances payable | **(13,789)** | 13,937 |
| Deferred revenue | **13,873** | 67,992 |
| | **348,636** | (192,677) |
| **Financing activities** | | |
| Due to related parties | **(215,000)** | 182,500 |
| Assumption of long-term liabilities (Note 5) | **-** | 237,453 |
| Repayment of long-term liabilities | **(55,224)** | (189,783) |
| Repayment of obligations under capital lease | **(15,366)** | (15,499) |
| Deferred capital contributions | **-** | 1,800 |
| | **(285,590)** | 216,471 |
| **Investing activities** | | |
| Proceeds from sale of tangible capital assets | **-** | 449 |
| Purchase of tangible capital assets (Note 5) | **(25,805)** | (43,104) |
| Purchase of intangibles | **(14,315)** | (33,837) |
| | **(40,120)** | (76,492) |
| Change in cash | **22,926** | (52,698) |
| Cash, beginning of year | **(179,471)** | (126,773) |
| **Cash, end of year** | **(156,545)** | (179,471) |
| **Comprised of:** | | |
| Unrestricted | **(243,056)** | (252,109) |
| Externally restricted (First Nation Summer Camps) | **62,481** | 35,317 |
| Externally restricted (Local summer camps) | **10,226** | 12,542 |
| Externally restricted (Summer festivals) | **13,804** | 24,779 |
| | **(156,545)** | (179,471) |

See accompanying notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS
## AS AT JUNE 30, 2015

**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.

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, 2015

### 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 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:

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

(d) Equipment under capital lease

Equipment leases that effectively transfer all of the risks and rewards of ownership to the Organization as lessee are capitalized at the present value of the minimum lease payments under the lease with a corresponding liability for the related lease obligations. Charges to expenses are made for amortization of the equipment and interest on the lease obligations. Equipment under capital lease is included in tangible capital assets and further disclosed in Note 5.

(e) Intangibles

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

(f) 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.

(g) 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, 2015**

**1. Summary of significant accounting policies (continued)**

(h) 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.

(i) 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.

(j) 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 tangible capital assets and deferred capital contributions. Actual results could differ from those estimates.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT JUNE 30, 2015**

## 2. Inventories

Inventories consists of:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Consumables | **84,419** | 81,642 |
| Store | **55,136** | 48,476 |
| | **139,555** | 130,118 |

## 3. 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:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | **185,839** | 211,830 |
| Building capital contributions | **-** | 1,800 |
| Amortization of deferred capital contributions | **(28,354)** | (27,791) |
| Balance, end of year | **157,485** | 185,839 |

## 4. Deferred revenue

Deferred revenue consists of the following:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| First Nation Summer Camps | **62,481** | 35,317 |
| Local summer camps | **10,226** | 12,542 |
| Summer festivals | **13,804** | 24,779 |
| | **86,511** | 72,638 |

NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2015

## 5. Tangible capital assets

Tangible capital assets are comprised of:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| Cost | | |
| Land | **280,000** | 250,000 |
| Building | **678,034** | 638,401 |
| Collections | **25,200** | 25,200 |
| Computers | **28,471** | 27,870 |
| Equipment | **388,351** | 370,985 |
| Signs | **6,904** | 6,904 |
| Trailers | **20,401** | 18,301 |
| Vehicles | **242,643** | 252,522 |
| | **1,670,004** | 1,590,183 |
| Accumulated amortization | | |
| Building | **94,902** | 65,254 |
| Computers | **28,172** | 27,123 |
| Equipment | **240,393** | 205,575 |
| Signs | **3,378** | 2,497 |
| Trailers | **11,612** | 9,677 |
| Vehicles | **141,788** | 146,162 |
| | **520,245** | 456,288 |
| | **1,149,759** | 1,133,895 |

During the year, tangible capital assets were acquired at an aggregate of $126,229 (2014 - $43,104) of which $100,424 (2014 - $NIL) were acquired by means of long-term liabilities, $NIL (2014 - $1,800) were contributed and $25,805 (2014 - $41,304) were acquired with cash.

Included in vehicles is one asset (2014 - three assets) under capital lease with a cost of $28,082 (2014 - $77,422) and accumulated amortization of $17,572 (2014 - $70,255). Included in amortization of tangible capital assets expense is $4,505 (2014 - $21,077) related to vehicle(s) under capital lease.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT JUNE 30, 2015**

### 6. 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 $149,986 (2014 - $179,729) against the line of credit.

### 7. Long-term liabilities

Long-term liabilities consists of the following:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| (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 $21,339 (2014 - $30,485). | **37,505** | 46,020 |
| (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. Secured by property with a net book value of $61,953 (2014 - $NIL). | **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 the land and building. | **661,412** | 687,553 |
| (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 $34,167 (2014 - NIL). | **33,133** | - |
| (e) 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 $16,566 (2014 - $23,666). | **23,389** | 31,539 |
| (f) 4.90% loan payable to Toyota Canada. Repayable in blended monthly payments of $446, due June 2016. Secured by a vehicle with a net book value of $9,156 (2014 - $13,080). | **5,352** | 10,705 |
| | **821,018** | 775,817 |
| Less portion due within one year | **(57,645)** | (48,160) |
| | **763,373** | 727,657 |

## 7. Long-term liabilities (continued)

Principal retirement requirements for subsequent years are:

| | |
|---|---|
| 2016 | 57,645 |
| 2017 | 54,623 |
| 2018 | 53,869 |
| 2019 | 594,654 |
| 2020 | 60,227 |

## 8. Obligations under capital lease

Obligations under capital lease consist of the following:

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| (a) 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 $10,510 (2014 - $15,015). | **9,113** | 17,525 |
| (b) 0.00% capital lease payable to Chrysler Financial. Repayable in monthly principal payments of $221, due September 2014. | **-** | 665 |
| (c) 8.99% capital lease to Chrysler Financial. Repayable in blended monthly payments of $711, due May 2015. | **-** | 6,290 |
| | **9,113** | 24,480 |
| Less portion due within one year | **(8,412)** | (15,367) |
| | **701** | 9,113 |

Principal retirement requirements for subsequent years are:

| | |
|---|---|
| 2016 | 8,412 |
| 2017 | 701 |

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT JUNE 30, 2015**

## 9. Financial instruments

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

The Organization is not exposed to significant 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. The Organization has several vehicle loans and leases with fixed interest rates and a mortgage with a floating rate. 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.

## 10. Related party transactions

Included in wages and benefits is $23,500 (2014 - $18,400) 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, a director made loans to the Organization to cover short-term cash needs. $NIL (2014 - $65,000) was outstanding on the loan at year end. Interest on the loans is payable at prime + 1%.

During the year, another director made loans to the Organization to cover short-term cash needs. $NIL (2014 -$150,000) was outstanding on the loan at year end. Interest on the loans is payable at prime + 1%.

During the year, $NIL (2014 - $13,197) 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 $73,196 (2014 - $96,920) 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**AS AT JUNE 30, 2015**

## 11. Contribution revenue

Major sources of contribution revenue was received during the year from Tobique First Nations in the amount of $697,940 (2014 - $650,000).

## 12. Comparative figures

Certain comparative figures on the statement of operations and net assets have been reclassified to conform to the 2015 financial statement presentation.