

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"
FINANCIAL STATEMENTS
JUNE 30, 2016**

CONTENTS

	Page
Independent Auditor's Report	1
Balance Sheet	3
Statement of Operations and Net Assets	4
Cash Flow Statement	5
Notes to the Financial Statements	6

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, 2016, 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.

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2016, 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 10, 2016

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**BALANCE SHEET
AS AT JUNE 30**

	2016	2015
	\$	\$
Assets		
Current		
Accounts receivable	153,535	189,946
Prepaid expenses	31,427	36,551
Inventories (Note 2)	157,256	139,555
	342,218	366,052
Tangible capital assets (Note 3)	1,484,198	1,149,759
Intangibles - software (net of accumulated amortization of \$19,019; 2015 - \$10,455)	39,380	37,697
	1,865,796	1,553,508
Liabilities		
Current		
Bank overdraft (Note 4)	182,192	156,545
Accounts payable and accruals	120,578	82,142
Government remittances payable	-	17,319
Deferred revenue (Note 5)	93,268	86,511
Current portion of obligations under capital lease	701	8,412
Current portion of long-term	61,089	57,645
	457,828	408,574
Long-term (Note 6)	733,474	763,373
Obligations under capital leases (Note 7)	-	701
	1,191,302	1,172,648
Deferred capital contributions (Note 8)	190,242	157,485
	1,381,544	1,330,133
Net assets		
Unrestricted	484,252	223,375
	1,865,796	1,553,508

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**

	2016	2015
	\$	\$
Revenues		
Contributions and other (Note 11)	586,281	979,394
Program fees	1,004,165	1,271,704
Grants	175,047	186,359
Store sales	222,017	149,799
	1,987,510	2,587,256
Expenses		
Advertising and promotion	16,901	25,493
Bank charges	9,895	10,938
Consumables	119,084	206,716
Contract labour	264,781	191,944
Cost of sales - store	133,815	86,514
Donations	109,641	107,837
Cost of film series	8,915	17,992
Insurance	21,495	19,101
Interest	42,021	49,833
International (Note 10)	183,879	108,110
Office	22,265	30,948
Other	21,555	38,570
Professional fees	19,819	17,685
Repairs and maintenance	22,884	21,704
Telephone and utilities	14,159	14,118
Travel	193,817	233,866
Vehicle	31,700	28,289
Wages and benefits (Note 10)	670,515	1,282,865
	1,907,141	2,492,523
Excess of revenues over expenses before undernoted items	80,369	94,733
Amortization of deferred capital contributions (Note 8)	23,124	28,354
Amortization of tangible capital assets and intangibles (Note 3)	(109,467)	(113,353)
Gain (loss) on disposal of tangible capital assets	7,179	(4,647)
	(79,164)	(89,646)
Excess of revenues over expenses for the year	1,205	5,087
Net assets, beginning of year	223,375	218,288
Contributed land - Kimbercote	259,672	-
Net assets, end of year	484,252	223,375

See accompanying notes to the financial statements

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30**

	2016	2015
	\$	\$
Cash flows from (for):		
Operating activities		
Excess of revenues over expenses for the year	1,205	5,087
Items not involving cash		
Amortization of tangible capital assets and intangibles	109,467	113,353
Amortization of deferred capital contributions	(23,124)	(28,354)
(Gain) loss on disposal of tangible capital assets	(7,179)	4,647
	80,369	94,733
Changes in		
Accounts receivable	36,411	248,472
Prepaid expenses	5,124	9,583
Inventories	(17,701)	(9,437)
Accounts payable and accruals	38,436	5,201
Government remittances payable	(17,319)	(13,789)
Deferred revenue	6,757	13,873
	132,077	348,636
Financing activities		
Proceeds of long-term liabilities	32,712	-
Due to related parties	-	(215,000)
Repayment of long-term liabilities	(59,167)	(55,224)
Repayment of obligations under capital lease	(8,412)	(15,366)
Deferred capital contributions	55,881	-
	21,014	(285,590)
Investing activities		
Proceeds from sale of tangible capital assets	98,061	-
Purchase of tangible capital assets	(266,552)	(25,805)
Purchase of intangibles	(10,247)	(14,315)
	(178,738)	(40,120)
Change in cash	(25,647)	22,926
Cash, beginning of year	(156,545)	(179,471)
Cash, end of year	(182,192)	(156,545)
Comprised of:		
Unrestricted	(275,460)	(243,056)
Externally restricted (First Nation Summer Camps)	62,152	62,481
Externally restricted (Local summer camps)	7,528	10,226
Externally restricted (Summer festivals)	23,288	13,804
Externally restricted (Kimbercote)	300	-
	(182,192)	(156,545)

See accompanying notes to the financial statements

ELEPHANT THOUGHTS EDUCATIONAL OUTREACH OPERATING AS "ELEPHANT THOUGHTS"

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2016

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 "ASNFP") 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.

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

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:

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) 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 3.

(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.

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

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 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:

	2016	2015
	\$	\$
Consumables	98,924	84,419
Store	58,332	55,136
	157,256	139,555

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

3. Tangible capital assets

Tangible capital assets are comprised of:

	2016	2015
	\$	\$
Cost		
Land	550,000	280,000
Buildings	711,011	678,034
Collections	25,200	25,200
Computers	36,539	28,471
Equipment	451,612	388,351
Signs	6,904	6,904
Trailers	20,401	20,401
Vehicles	234,161	242,643
Capital in progress	39,616	-
	2,075,444	1,670,004
Accumulated amortization		
Buildings	123,286	94,902
Computers	32,507	28,172
Equipment	276,311	240,393
Signs	4,083	3,378
Trailers	13,370	11,612
Vehicles	141,689	141,788
	591,246	520,245
	1,484,198	1,149,759

Included in vehicles is one asset (2015 - one asset) under capital lease with a cost of \$28,082 (2015 - \$28,082) and accumulated amortization of \$20,725 (2015 - \$17,572). Included in amortization of tangible capital assets expense is \$3,153 (2015 - \$4,505) related to the vehicle under capital lease.

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 \$108,508 (2015 - \$149,986) against the line of credit.

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

5. Deferred revenue

Deferred revenue consists of the following:

	2016	2015
	\$	\$
First Nation Summer Camps	62,152	62,481
Local summer camps	7,528	10,226
Summer festivals	23,288	13,804
Kimbercote	300	-
	93,268	86,511

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

6. Long-term liabilities

Long-term liabilities consists of the following:

	2016	2015
	\$	\$
(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 \$14,937 (2015 - \$21,339).	28,658	37,505
(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	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.	634,157	661,412
(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 \$23,917 (2015 - \$34,167).	25,422	33,133
(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 \$27,804 (2015 - \$NIL).	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 \$11,596 (2015 - \$16,566).	14,908	23,389
(g) 4.90% loan payable to Toyota Canada. Repayable in blended monthly payments of \$446, due June 2016.	-	5,352
	794,563	821,018
Less portion due within one year	(61,089)	(57,645)
	733,474	763,373

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

6. Long-term liabilities (continued)

Principal retirement requirements for subsequent years are:

	\$
2017	61,089
2018	120,562
2019	601,119
2020	6,466
2021	5,327

7. Obligations under capital lease

Obligations under capital lease consist of the following:

	2016	2015
	\$	\$
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 \$7,357 (2015 - \$10,510).	701	9,113
	701	9,113
Less portion due within one year	(701)	(8,412)
	-	701

8. 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:

	2016	2015
	\$	\$
Balance, beginning of year	157,485	185,839
Capital contributions - Kimbercote (Note 10)	55,881	-
Amortization of deferred capital contributions	(23,124)	(28,354)
Balance, end of year	190,242	157,485

**ELEPHANT THOUGHTS
EDUCATIONAL OUTREACH
OPERATING AS "ELEPHANT THOUGHTS"**

**NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2016**

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 \$27,600 (2015 - \$23,500) 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. \$NIL (2015 - \$NIL) was outstanding on the loan at year end. Interest on the loans is payable at prime + 1%.

Included in international expenses is \$63,236 (2015 - \$73,196) 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.

During the year, the executive director donated \$12,600 (2015 - \$NIL) in equipment for Kimbercote. This transaction was recorded at the exchange amount.

11. Contribution revenue

Major sources of contribution revenue was received during the year from Tobique First Nations in the amount of \$NIL (2015 - \$697,940).