

SCHOOLBOX INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017

Independent Auditor's Report
Statement of Financial Position
Statement of Changes in Net Assets
Statement of Operations
Statement of Cash Flows
Notes to the Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS MCNEELY

P R O F E S S I O N A L C O R P O R A T I O N

INDEPENDENT AUDITOR'S REPORT

To the Board of SchoolBOX Inc.

We have audited the accompanying financial statements of SchoolBOX Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations and cash flows 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

106B McGonigal St. W.
Arnprior, Ontario K7S 1M4

9 Emily Street
Carleton Place, Ontario K7C 1R9

16 Gore Street West
Perth, Ontario K7H 2L6

5992 Hazeldean Rd.
Stittsville, Ontario K2S 1B9

Phone: 613-963-1430 (1-866-999-1339) Fax: 613-686-3960 (Perth local 613-267-3949)

acctg@khmpc.ca

INDEPENDENT AUDITOR'S REPORT (continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, SchoolBOX Inc. derives revenue from fundraising activities and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of SchoolBOX Inc.

For the year ended December 31, 2017 SchoolBOX Inc. incurred all of its direct program expenses in the country of Nicaragua and it holds all of its inventory in Nicaragua. The supporting documentation relating to these expenses is stored in Nicaragua and was not provided to us for the purpose of our audit; and we did not observe or count the inventory. Accordingly, our verification of these expenses and the inventory on hand was limited to proof of payment.

Our audit opinion on the financial statements for the year ended December 31, 2017 is qualified because of the possible effects of these limitations in scope. Therefore, we were not able to determine whether any adjustments might be necessary to revenues or expenses for the year ended December 31, 2017, assets or liabilities as at December 31, 2017, and net assets at both the beginning and end of the year.

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 SchoolBOX Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Kelly Huibers McNeely
Professional Corporation

Carleton Place, Ontario
June 26, 2018

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

SCHOOLBOX INC.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

| | 2017 | 2016 |
|--|--------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 246,915 | \$ 355,451 |
| Short-term investments | 182,447 | 145,068 |
| Accounts receivable | 3,876 | 2,585 |
| Inventory | 44,736 | 5,746 |
| Prepaid expenses | <u>2,642</u> | <u>2,675</u> |
| | 480,616 | 511,525 |
| CAPITAL ASSETS (note 3) | 43,099 | 15,265 |
| | <u>\$ 523,715</u> | <u>\$ 526,790</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 44,253 | \$ 29,751 |
| Deferred contributions | 175,000 | 165,000 |
| Deferred revenue | <u>4,000</u> | <u>14,700</u> |
| | <u>223,253</u> | <u>209,451</u> |
| NET ASSETS | | |
| Unrestricted | 218,405 | 184,563 |
| Internally restricted funds | <u>82,057</u> | <u>132,776</u> |
| | 300,462 | 317,339 |
| | <u>\$ 523,715</u> | <u>\$ 526,790</u> |

APPROVED BY THE BOARD

Director

Director

The accompanying notes are an integral part of these financial statements.

SCHOOLBOX INC.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2017

| | Unrestricted | Internally Restricted | Total 2017 | Total 2016 |
|-----------------------------------|-------------------|--------------------------|-----------------------|-----------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 184,563 | \$ 132,776 | \$ 317,339 | \$ 307,331 |
| Net revenue (expenses) | 33,842 | (50,719) | (16,877) | 10,008 |
| NET ASSETS - END OF YEAR | \$ 218,405 | \$ 82,057 | \$ 300,462 | \$ 317,339 |

The accompanying notes are an integral part of these financial statements.

SCHOOLBOX INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2017

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|---------------------------|-------------------------|
| REVENUE | | |
| Donations (note 4) | \$ 636,980 | \$ 528,034 |
| Fundraising | 12,431 | 18,404 |
| Gifts in kind | 72,574 | 4,893 |
| Program service fees | 116,410 | 112,348 |
| Investment income (loss) | <u>(602)</u> | <u>702</u> |
| | <u>837,793</u> | <u>664,381</u> |
| EXPENSES | | |
| Advertising and promotion | 3,955 | 2,483 |
| Amortization | 7,166 | 4,505 |
| Bank fees | 4,838 | 4,406 |
| Direct program expenses (note 5) | 676,265 | 517,342 |
| Fundraising expenses | 3,667 | 3,738 |
| Honourariums | - | 2,485 |
| Insurance | 4,623 | 4,103 |
| Office overhead | 10,733 | 14,129 |
| Professional fees | 25,284 | 7,425 |
| Salaries | 113,807 | 89,320 |
| Telephone | 1,988 | 1,782 |
| Travel | <u>2,344</u> | <u>2,655</u> |
| | 854,670 | 654,373 |
| NET REVENUE (EXPENSES) | <u>\$ (16,877)</u> | <u>\$ 10,008</u> |

The accompanying notes are an integral part of these financial statements.

SCHOOLBOX INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|-------------------|-------------------|
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net revenue (expenses) | \$ (16,877) | \$ 10,008 |
| Item not affecting cash: | | |
| Amortization | 7,166 | 4,505 |
| Net change in non-cash working capital items: | | |
| Prepaid expenses | 33 | 11 |
| Accounts receivable | (1,291) | 6,300 |
| Inventory | (38,990) | 27,435 |
| Accounts payable and accrued liabilities | 14,502 | (9,231) |
| Deferred contributions | 10,000 | 65,000 |
| Deferred revenue | (10,700) | 14,700 |
| | <u>(36,157)</u> | <u>118,728</u> |
| INVESTING ACTIVITIES | | |
| Change in short-term investments | (37,379) | (10,680) |
| Purchase of capital assets | <u>(35,000)</u> | <u>-</u> |
| | <u>(72,379)</u> | <u>(10,680)</u> |
| CHANGE IN CASH | (108,536) | 108,048 |
| CASH - BEGINNING OF YEAR | 355,451 | 247,403 |
| CASH - END OF YEAR | <u>\$ 246,915</u> | <u>\$ 355,451</u> |

The accompanying notes are an integral part of these financial statements.

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

1. PURPOSE OF SCHOOLBOX

SchoolBOX Inc. was incorporated on September 18, 2006 without share capital under the laws of Ontario. It is a registered charity under the laws of the Income Tax Act. The purpose of the Organization is to relieve poverty in developing nations by providing education and other basic supplies to persons in need; and to provide assistance to schools in developing nations through the provision of basic education materials and training.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The principal accounting policies of the Organization are summarized as follows:

Revenue Recognition

SchoolBOX follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Short-term Investments

SchoolBOX has fixed income and equity investments that are accounted for at market value, with unrealized gains and losses being recorded in the Statement of Operations.

Capital Assets

Capital assets are recorded at cost. When capital assets are disposed of, the related gain or loss is included in current operations. Amortization on the vehicle is provided on a straight-line basis over five years.

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally Restricted Funds

Net assets that have been earmarked by the Organization for specific future projects are classified as internally restricted.

Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

3. CAPITAL ASSETS

| | Cost | Accumulated Amortization | 2017 Net Book Value | 2016 Net Book Value |
|----------|------------------|-----------------------------|---------------------------|---------------------------|
| Vehicles | \$ 60,025 | \$ 16,926 | \$ 43,099 | \$ 15,265 |
| | \$ 60,025 | \$ 16,926 | \$ 43,099 | \$ 15,265 |

4. DONATIONS

| | 2017 | 2016 |
|----------------------------|-------------------|-------------------|
| Received donations | \$ 349,218 | \$ 284,846 |
| Non-receipted donations | 132,546 | 146,138 |
| Gifts from other charities | 155,216 | 97,050 |
| | \$ 636,980 | \$ 528,034 |

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

5. DIRECT PROGRAM EXPENSES

| | 2017 | 2016 |
|--------------------------|-------------------|-------------------|
| International operations | \$ 48,865 | \$ 39,656 |
| International travel | 3,699 | 9,048 |
| IYES | 21,828 | - |
| Supplies 4 success | 53,927 | 45,327 |
| Tools 4 schools | 178,198 | 104,545 |
| Books for kids | 138,974 | 52,182 |
| Volunteer program | 67,922 | 81,655 |
| Salaries and benefits | 162,852 | 184,929 |
| | \$ 676,265 | \$ 517,342 |

6. FINANCIAL INSTRUMENTS

SchoolBOX's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. It is Management's opinion that the fair value of these instruments is not materially different than their cost and that SchoolBOX is not exposed to significant interest rate, currency or credit risk.

Short-term Investments

The Organization's short-term investments are 91% cash, 6% equities and 3% fixed income securities.