

SCHOOLBOX INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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.

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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, 2016 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, 2016 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, 2016, assets or liabilities as at December 31, 2016, 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, 2016, 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, 2017

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

SCHOOLBOX INC.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 355,451	\$ 247,403
Short-term investment	145,068	134,388
Accounts receivable	2,585	8,885
Inventory	5,746	33,181
Prepaid expenses	<u>2,675</u>	<u>2,686</u>
	511,525	426,543
CAPITAL ASSETS (note 3)	15,265	19,770
	<u>\$ 526,790</u>	<u>\$ 446,313</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 29,751	\$ 38,982
Deferred contributions	165,000	100,000
Deferred revenue	<u>14,700</u>	<u>-</u>
	<u>209,451</u>	<u>138,982</u>
NET ASSETS		
Unrestricted	184,563	230,023
Internally restricted funds	<u>132,776</u>	<u>77,308</u>
	317,339	307,331
	<u>\$ 526,790</u>	<u>\$ 446,313</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, 2016

	Unrestricted	Internally Restricted	Total 2016	Total 2015
NET ASSETS - BEGINNING OF YEAR	\$ 230,023	\$ 77,308	\$ 307,331	\$ 310,346
Net revenue (expenses)	10,008	-	10,008	(3,015)
Transfer	(55,468)	55,468	-	-
NET ASSETS - END OF YEAR	\$ 184,563	\$ 132,776	\$ 317,339	\$ 307,331

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

SCHOOLBOX INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Donations (note 4)	\$ 526,636	\$ 464,472
Fundraising	18,404	21,246
Program service fees	112,348	78,190
Investment income	702	1,150
Other income	<u>6,291</u>	<u>25,148</u>
	<u>664,381</u>	<u>590,206</u>
EXPENSES		
Advertising and promotion	2,483	4,869
Bank fees	4,406	3,711
Direct program expenses (note 5)	521,847	484,242
Fundraising expenses	3,738	13,041
Honourariums	2,485	7,180
Insurance	4,103	4,329
Office overhead	14,129	7,538
Salaries	96,745	66,154
Telephone	1,782	1,142
Travel	<u>2,655</u>	<u>1,015</u>
	654,373	593,221
NET REVENUE (EXPENSES)	<u>\$ 10,008</u>	<u>\$ (3,015)</u>

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

SCHOOLBOX INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenses)	\$ 10,008	\$ (3,015)
Item not affecting cash:		
Amortization	4,505	4,504
Net change in non-cash working capital items:		
Prepaid expenses	11	(361)
Accounts receivable	6,300	(8,830)
Inventory	27,435	(31,314)
Accounts payable and accrued liabilities	(9,231)	18,916
Deferred contributions	65,000	32,464
Deferred revenue	<u>14,700</u>	<u>-</u>
	118,728	12,364
INVESTING ACTIVITIES		
Change in short-term investment	<u>(10,680)</u>	<u>(11,237)</u>
CHANGE IN CASH	108,048	1,127
CASH - BEGINNING OF YEAR	247,403	246,276
CASH - END OF YEAR	<u>\$ 355,451</u>	<u>\$ 247,403</u>

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

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicle	\$ 25,025	\$ 9,760	\$ 15,265	\$ 19,770
	\$ 25,025	\$ 9,760	\$ 15,265	\$ 19,770

4. DONATIONS

	2016	2015
Received donations	\$ 284,846	\$ 219,324
Non-receipted donations	146,138	176,255
Gifts from other charities	95,652	68,893
	\$ 526,636	\$ 464,472

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

5. DIRECT PROGRAM EXPENSES

	2016	2015
International operations	\$ 44,161	\$ 37,556
International travel	9,048	4,371
Soccer dreams	-	9,668
Supplies 4 success	45,327	42,114
Tools 4 schools	104,545	124,342
Books for kids	52,182	36,478
Volunteer program	81,655	47,552
Salaries and benefits	184,929	182,161
	\$ 521,847	\$ 484,242

6. FINANCIAL INSTRUMENTS

SchoolBOX's financial instruments consist of cash, short-term investment, 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 Investment

The Organization holds cash for investment purposes with the Bank of Montreal. As of December 31, 2016 this cash account is the only short-term investment held by the Organization.