SCHOOLBOX INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

KELLY HUIBERS MCNEELY
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of SchoolBOX Inc.

Qualified Opinion

We have audited the accompanying financial statements of SchoolBOX Inc. ("the Organization"), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

For the year ended December 31, 2021, the Organization incurred significant direct program expenses in the country of Nicaragua and holds all of its inventory and some cash in Nicaragua. The supporting documentation relating to these expenditures 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 or cash. Accordingly, our verification of these expenditures was limited to proof of payment and neither the inventory nor the cash on hand in Nicaragua were verified.

In addition, in common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, net expenditures, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at the beginning and the end of the years ended December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was also qualified because of the possible effects of this limitation in scope.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, Management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelly Huibers McNeely
Professional Corporation

Carleton Place, Ontario
December 2, 2022

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

SCHOOLBOX INC.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 328,298	$ 248,394
Short-term investments (note 9)	110,267	37,184
Accounts receivable	7,794	1,906
Inventory	51,093	60,342
Prepaid expenses	2,013	1,886
	499,465	349,712
CAPITAL ASSETS (note 3)	7,000	14,000
	$ 506,465	**$ 363,712**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 79,915	$ 2,906
Government payables	1,379	1,758
Deferred contributions	206,930	158,000
	288,224	162,664
CEBA LOAN (note 4)	40,000	40,000
	328,224	202,664
NET ASSETS	178,241	161,048
	$ 506,465	**$ 363,712**

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, 2021

	Unrestricted	Internally Restricted	**Total 2021**	**Total 2020**
NET ASSETS - BEGINNING OF YEAR	$ 71,861	$ 89,187	$ 161,048	$ 122,161
Net revenue	17,193	-	17,193	38,887
Transfers	89,187	(89,187)	-	-
NET ASSETS - END OF YEAR	**$ 178,241**	**$ -**	**$ 178,241**	**$ 161,048**

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

SCHOOLBOX INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2021

	2021	2020
REVENUE		
Donations (note 5)	$ 458,565	$ 337,419
Fundraising	-	2,600
Program service fees	-	14,820
Investment income	106	712
	458,671	355,551
EXPENDITURES		
Advertising and promotion	2,290	2,625
Amortization	7,000	7,000
Bank fees	4,981	3,549
Direct program expenses (note 6)	382,972	249,485
Fundraising expenses	-	102
Insurance	3,990	3,996
Office overhead	6,830	9,620
Professional fees	22,080	6,630
Salaries	22,307	50,855
Less: wage subsidies (note 7)	(12,836)	(18,546)
Telephone	1,533	1,335
Travel	331	13
	441,478	316,664
NET REVENUE	**$ 17,193**	**$ 38,887**

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

SCHOOLBOX INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	$ 17,193	$ 38,887
Item not affecting cash:		
Amortization	7,000	7,000
Net change in non-cash working capital items:		
Accounts receivable	(5,888)	1,340
Inventory	9,249	1,123
Prepaid expenses	(127)	358
Accounts payable and accrued liabilities	77,009	(16,619)
Government payables	(379)	(1,792)
Deferred contributions	48,930	(32,000)
	152,987	(1,703)
INVESTING ACTIVITIES		
Change in short-term investments	(73,083)	14,807
FINANCING ACTIVITIES		
CEBA loan proceeds	-	40,000
CHANGE IN CASH	79,904	53,104
CASH - BEGINNING OF YEAR	248,394	195,290
CASH - END OF YEAR	**$ 328,298**	**$ 248,394**

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

SCHOOLBOX INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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1. PURPOSE OF SCHOOLBOX

SchoolBOX Inc. ("the Organization") 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 by providing assistance to schools and communities in need through the provision of basic education materials, training and school infrastructure. The mission is to help "Make Education Possible" for kids.

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

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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

The Organization's short-term investments are accounted for at market value, with unrealized gains and losses recorded in the Statement of Operations.

Inventory

Inventory consists of school packages, tools and books and is recorded at the lower of cost and net realizable value. The cost is determined on a weighted average basis.

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 vehicles is provided on a straight-line basis over five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally Restricted Funds

Net assets that had been earmarked by the Organization for specific future projects had been classified as internally restricted until 2021.

Accounting Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 expenditures 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	2021 Net Book Value	2020 Net Book Value
Vehicle	$ 60,025	$ 53,025	$ 7,000	$ 14,000
	$ 60,025	**$ 53,025**	**$ 7,000**	**$ 14,000**

4. CANADA EMERGENCY BUSINESS ACCOUNT

The Canada Emergency Business Account (CEBA) is an interest-free loan and 25% of the loan is forgivable if the Company repays the loan on or before December 31, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan at an interest rate of 5%.

5. DONATIONS

	2021	2020
Receipted donations	$ 317,603	$ 268,028
Non-receipted donations	120,772	17,710
Gifts from other charities	20,190	51,681
	$ 458,565	**$ 337,419**

6. DIRECT PROGRAM EXPENSES

	2021	2020
International operations	$ 39,530	$ 33,814
International travel	-	934
North program	111,227	17,598
Supplies 4 success	17,143	13,355
Tools 4 schools	33,568	59,224
Books for kids	71,193	8,474
Volunteer program	-	11,588
Salaries and benefits	110,311	104,498
	$ 382,972	**$ 249,485**

7. WAGE SUBSIDY

The Company has claimed the Temporary Wage Subsidy (TWS) and the Canada Emergency Wage Subsidy (CEWS) based on Management's interpretation of the applicable legislation in the Income Tax Act. These claims are subject to review by Canada Revenue Agency (CRA); and any future CRA adjustments to these CEWS claims will be recorded by the Company in the year of the adjustment.

8. SUBSEQUENT EVENT

Due to safety concerns driven by the ongoing COVID-19 pandemic, the Board of Directors decided to permanently close the Organization's operations in Nicaragua. The closure is expected to take effect in 2022 following the completion of current projects and the liquidation of Nicaraguan assets. The Organization will continue to carry out its mission to improve education within the Indigenous communities across Canada.

9. FINANCIAL INSTRUMENTS

The Organization'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 the Organization is not exposed to significant interest rate, currency or credit risk.

The Organization's short-term investments consist of approximately 90% cash and the remainder in equities.