Financial Statements of

JUMP MATH

Year ended April 30, 2017

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of JUMP Math

We have audited the accompanying financial statements of JUMP Math, which comprise the statement of financial position as at April 30, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 entity'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 audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JUMP Math as at April 30, 2017, and its results of operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 2, 2017

Vaughan, Canada

JUMP MATH

Statement of Financial Position

April 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 1,384,672	$ 1,606,820
HST Receivable	86,060	73,651
Accounts receivable	61,881	72,499
Inventory (note 2)	280,746	315,635
Prepaids	4,616	9,645
	1,817,975	2,078,250
Capital assets (note 3)	1,403	1,786
	$ 1,819,378	$ 2,080,036
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 332,383	$ 294,343
Deferred revenue (note 5)	380,418	302,823
	712,801	597,166
Net assets:		
Invested in capital assets	1,403	1,786
Unrestricted	1,105,174	1,481,084
	1,106,577	1,482,870
Lease commitments (note 6)		
Subsequent events (note 9)		
	$ 1,819,378	$ 2,080,036

See accompanying notes to financial statements.

On behalf of the Board:

Director

T R Goodall Director

JUMP MATH

Statement of Operations

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Publication sales	$ 2,504,945	$ 2,536,199
Training	96,068	128,140
Royalties (note 5)	38,263	2,667,230
Other	16,525	37,354
Interest	5,743	68
Foundation grants	748,576	507,150
Donations:		
Corporate	449,020	355,451
Individual	70,714	103,009
	3,929,854	6,334,601
Expenditures:		
Personnel and contractors	2,788,567	2,729,962
Printing and distribution	842,213	922,185
Operating	475,815	435,915
Communications and training	198,373	250,365
Research	796	100,124
Amortization of capital assets	383	492
	4,306,147	4,439,043
Excess (deficiency) of revenue over expenditures (note 7)	$ (376,293)	$ 1,895,558

See accompanying notes to financial statements.

JUMP MATH
Statement of Changes in Net Assets

Year ended April 30, 2017, with comparative information for 2016

			2017	2016
	Invested in capital assets	Unrestricted	Total	Total
Net assets (deficiency), beginning of year	$ 1,786	$ 1,481,084	$ 1,482,870	$ (412,688)
Excess (deficiency) of revenue over expenditures (note 7)	(383)	(375,910)	(376,293)	1,895,558
Net assets, end of year	$ 1,403	$ 1,105,174	$ 1,106,577	$ 1,482,870

See accompanying notes to financial statements.

JUMP MATH

Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	$ (376,293)	$ 1,895,558
Item not involving cash:		
Amortization of capital assets	383	492
	(375,910)	1,896,050
Changes in non-cash operating working capital:		
HST receivable	(12,409)	(3,279)
Accounts receivable	10,618	65,674
Inventory	34,889	70,609
Prepaids	5,029	4,085
Accounts payable and accrued liabilities	38,040	(40,489)
Deferred revenue	77,595	(1,663,311)
(Decrease) increase in cash and cash equivalents	(222,148)	329,339
Cash and cash equivalents, beginning of year	1,606,820	1,277,481
Cash and cash equivalents, end of year	$ 1,384,672	$ 1,606,820

See accompanying notes to financial statements.

JUMP Math (the "Organization") is a mathematics education program designed for classroom use, but which also includes a derivative version that is available to non-profit tutoring programs. JUMP was founded in 1998 by mathematician and writer John Mighton. JUMP was incorporated under the Ontario Corporations Act as a not-for-profit organization on August 24, 2001 and is a registered charity under the Income Tax Act, effective April 13, 2002 and accordingly is tax exempt provided JUMP meets certain disbursement requirements. Effective February 12, 2010, a Supplementary Letter Patent was issued to change the corporate name to JUMP Math from Junior Undiscovered Math Prodigies.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Revenue from royalties, training, and sales of publications is recognized when the services are provided or the goods are sold.

Interest income is recognized as revenue when earned.

(b) Cash and cash equivalents:

The Organization considers deposits in banks and short-term investments with original maturities of three months or less as cash and cash equivalents.

(c) Inventory:

Inventory is comprised of teacher materials and student Assessment & Practice books in the field of mathematics. The books are developed and published by the Organization primarily for resale to schools and individuals at the elementary level and middle school level.

Inventory is stated at the lower of cost and selling price net of distributions costs. Cost includes the direct costs to typeset, print and bind the books.

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the methods and annual rates as follows:

Asset	Method	Rate
Computer equipment	Declining balance	33%
Leasehold improvements	Straight-line	Over lease term

When capital assets no longer contribute to the Organization's ability to provide services, its carrying amount is written down to the residual value.

(e) Investments:

Investments in other companies are accounted for at cost. Investments are assessed individually for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the investment. If there is a significant adverse change in the expected cash flows, the carrying amount of the investment is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the investment or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement.

(f) Contributed materials and services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In addition, the value of contributed materials is not recognized in the financial statements.

(g) Non-monetary transactions:

Non-monetary transactions are measured at the more reliably measurable of the fair value of the asset given up and the fair value of the asset received unless the transaction lacks commercial substance or the transaction is an exchange of a product held for sale in the ordinary course of business, in which case the transaction is measured at the carrying amount of the asset given up.

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

(i) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenditures have been translated using exchange rates prevailing on the transaction date. Gains and losses arising from these translation policies are included in the statement of operations.

(j) Use of estimates:

The preparation of the financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of investments and accrued liabilities. Actual results could differ from those estimates.

2. Inventory:

Inventory is comprised of teacher materials and student Assessment & Practice books in the field of mathematics. The cost of publication sales recognized as expense during the year totaled $480,644 (2016 - $637,281).

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	$ 6,758	$ 6,576	$ 182	$ 260
Leasehold improvements	2,918	1,697	1,221	1,526
	$ 9,676	$ 8,273	$ 1,403	$ 1,786

4. Investment:

In the prior year, the Organization entered into a long-term licensing agreement with a Spanish social enterprise. Under the terms of the agreement, the Organization agreed to forgo its royalty for the first two years in return for a 10% equity interest. The Organization has ascribed a nominal value to these shares and as such there is no value reported in the statement of financial position. No additional shares were issued to the Organization in the current year.

5. Deferred revenue:

Deferred revenue represents royalty advances and grants received for a specific purpose. This revenue will be taken into income when royalties have been earned and the grant specifications have been met.

In 2014, the Organization entered into a long-term non-exclusive Licensing Agreement (the "Agreement"). As per the terms of the Agreement, royalty advances made to the Organization by the licensee were to be solely recoupable by the licensee from future royalties earned by the Organization. In the prior year, the Agreement was terminated by mutual consent of the Organization and the licensee and the royalty advances were forfeited resulting in approximately $2.6 million being recorded as revenue in 2016.

	2017	2016
Grants	$ 380,418	$ 302,823

Changes in deferred revenue are as follows:

	2017	2016
Balance, beginning of year	$ 302,823	$ 1,966,134
Amounts received	1,179,943	1,830,750
Amounts recognized as revenue	(1,102,348)	(3,494,061)
	$ 380,418	$ 302,823

6. Lease commitments:

The Organization is committed under operating leases for office premises and equipment. Future minimum lease payments are approximately as follows:

2018	$	74,000
2019		67,000
2020		67,000
2021		24,000
2022		2,000
	$	234,000

In addition, to these lease payments, the Organization is responsible for its proportionate share of maintenance and realty taxes related to the leased premises.

7. Deficiency:

The deficiency of revenue over expenditures for the period ending April 30, 2017 was approved by the Board of Directors to fund growth and enhancements for initiatives in line with the strategic direction of the Organization.

8. Financial risks:

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. The financial instruments held by the Organization are exposed to a variety of financial risks. There has been no significant change to the risk exposure from 2016.

(a) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization receives grants and donations and incurs operating expenses denominated in U.S. dollars and Euros. The Organization does not currently enter into forward contracts to mitigate this risk.

8. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(d) Market risk:

The Organization's investments may include companies that have limited business histories, product or service lines, markets financial resources and management depth. Such companies also may not have profitable operations or positive cash flows.

9. Subsequent events:

On May 10, 2017, the Organization entered into an impact loan agreement with a Canadian charitable foundation to obtain a loan in the amount of $400,000 to be specifically used towards pursuing the Organization's growth strategy. The loan is unsecured, bears interest at 3% per annum and has a six-year term, following which the principal and any unpaid interest will become due. Interest is payable annually over the six-year term.

On July 27, 2017, the Organization entered into an impact loan agreement with a second Canadian charitable foundation to obtain a loan in the amount of $100,000 to be specifically used towards pursuing the Organization's growth strategy. Proceeds of the loan are expected to be advanced by the lender to the Organization in November 2017. The loan will be unsecured, bear interest at 3% per annum and carry a six-year term, following which the principal and any unpaid interest will become due. Interest will be payable annually over the six-year term.

10. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.