

Financial Statements of

JUMP MATH

Year ended April 30, 2018



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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, 2018, 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JUMP Math as at April 30, 2018, 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, 2018

Vaughan, Canada

JUMP MATH

Statement of Financial Position

April 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,862,317 | \$ 1,384,672 |
| HST receivable | 98,720 | 86,060 |
| Accounts receivable | 133,563 | 61,881 |
| Inventory (note 2) | 318,991 | 280,746 |
| Prepays | 6,184 | 4,616 |
| | <u>2,419,775</u> | <u>1,817,975</u> |
| Capital assets (note 3) | 1,104 | 1,403 |
| | <u>\$ 2,420,879</u> | <u>\$ 1,819,378</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 440,548 | \$ 332,383 |
| Deferred revenue (note 5) | 521,341 | 380,418 |
| | <u>961,889</u> | <u>712,801</u> |
| Loan payable (note 6) | 400,000 | - |
| | <u>1,361,889</u> | <u>712,801</u> |
| Net assets: | | |
| Invested in capital assets | 1,104 | 1,403 |
| Unrestricted | 1,057,886 | 1,105,174 |
| | <u>1,058,990</u> | <u>1,106,577</u> |
| Lease commitments (note 7) | | |
| | <u>\$ 2,420,879</u> | <u>\$ 1,819,378</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

JUMP MATH

Statement of Operations

Year ended April 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|--------------------|---------------------|
| Revenue: | | |
| Publication sales | \$ 3,008,713 | \$ 2,504,945 |
| Foundation grants | 985,115 | 748,576 |
| Royalties (note 4) | 153,008 | 38,263 |
| Training | 84,855 | 96,068 |
| Other | 64,112 | 16,525 |
| Interest | 11,609 | 5,743 |
| Donations: | | |
| Corporate | 532,498 | 449,020 |
| Individual | 86,150 | 70,714 |
| | <u>4,926,060</u> | <u>3,929,854</u> |
| Expenditures: | | |
| Personnel and contractors | 3,213,204 | 2,788,567 |
| Printing and distribution | 972,341 | 842,213 |
| Operating (note 6) | 574,282 | 476,611 |
| Communications and training | 213,521 | 198,373 |
| Amortization of capital assets | 299 | 383 |
| | <u>4,973,647</u> | <u>4,306,147</u> |
| Deficiency of revenue over expenditures | <u>\$ (47,587)</u> | <u>\$ (376,293)</u> |

See accompanying notes to financial statements.

JUMP MATH

Statement of Changes in Net Assets

Year ended April 30, 2018, with comparative information for 2017

| | 2018 | | | 2017 |
|--|-------------------------------|--------------|--------------|--------------|
| | Invested in capital assets | Unrestricted | Total | Total |
| Net assets, beginning of year | \$ 1,403 | \$ 1,105,174 | \$ 1,106,577 | \$ 1,482,870 |
| Deficiency of revenue over expenditures | (299) | (47,288) | (47,587) | (376,293) |
| Net assets, end of year | \$ 1,104 | \$ 1,057,886 | \$ 1,058,990 | \$ 1,106,577 |

See accompanying notes to financial statements.

JUMP MATH

Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenditures | \$ (47,587) | \$ (376,293) |
| Item not involving cash: | | |
| Amortization of capital assets | 299 | 383 |
| | (47,288) | (375,910) |
| Changes in non-cash operating working capital: | | |
| HST receivable | (12,660) | (12,409) |
| Accounts receivable | (71,682) | 10,618 |
| Inventory | (38,245) | 34,889 |
| Prepays | (1,568) | 5,029 |
| Accounts payable and accrued liabilities | 108,165 | 38,040 |
| Deferred revenue | 140,923 | 77,595 |
| | 77,645 | (222,148) |
| Financing: | | |
| Proceeds from loan payable | 400,000 | - |
| Increase (decrease) in cash and cash equivalents | 477,645 | (222,148) |
| Cash and cash equivalents, beginning of year | 1,384,672 | 1,606,820 |
| Cash and cash equivalents, end of year | \$ 1,862,317 | \$ 1,384,672 |

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended April 30, 2018

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.

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 publication sales 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.

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Notes to Financial Statements (continued)

Year ended April 30, 2018

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.

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Notes to Financial Statements (continued)

Year ended April 30, 2018

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) 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 accrued liabilities. Actual results could differ from those estimates.

2. Inventory:

Inventory is comprised of teacher materials and student assessment and practice books in the field of mathematics. The cost of publication sales recognized as expense during the year totaled \$580,504 (2017 - \$480,644).

3. Capital assets:

| | | | 2018 | | 2017 | |
|------------------------|----------|--------------------------|----------------|----------------|----------|--|
| | Cost | Accumulated amortization | Net book value | Net book value | | |
| Computer equipment | \$ 6,758 | \$ 6,631 | \$ 127 | | \$ 182 | |
| Leasehold improvements | 2,918 | 1,941 | 977 | | 1,221 | |
| | \$ 9,676 | \$ 8,572 | \$ 1,104 | | \$ 1,403 | |

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Notes to Financial Statements (continued)

Year ended April 30, 2018

4. Investment:

In 2016, 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.

During the year, the Organization received royalties in the amount of \$113,545 (2017 - nil), which is included in royalties revenue in the statement of operations.

5. Deferred revenue:

Deferred revenue represents grants received for a specific purpose. This revenue will be taken into income when grant specifications have been met.

Changes in deferred revenue are as follows:

| | 2018 | 2017 |
|-------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 380,418 | \$ 302,823 |
| Amounts received | 1,568,220 | 1,179,943 |
| Amounts recognized as revenue | (1,427,297) | (1,102,348) |
| | <u>\$ 521,341</u> | <u>\$ 380,418</u> |

6. Loan payable:

- (a) During the year, 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.

Interest expense incurred during the year in relation to this impact loan agreement was \$12,000 (2017 - nil) and has been included in operating expenses.

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Notes to Financial Statements (continued)

Year ended April 30, 2018

6. Loan payable (continued):

- (b) During the year, 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. The proceeds will be advanced upon management's request. 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.

7. Lease commitments:

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

| | | |
|------|----|---------|
| 2019 | \$ | 67,000 |
| 2020 | | 67,000 |
| 2021 | | 24,000 |
| 2022 | | 2,000 |
| | \$ | 160,000 |

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

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Notes to Financial Statements (continued)

Year ended April 30, 2018

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 2017.

(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.

(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.