Financial Statements

JUMP Math

April 30, 2023

jump math™

MULTIPLYING POTENTIAL.

JUMP Math

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April 30, 2023

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Independent auditor's report

September 20, 2023

To the directors of **JUMP Math:**

Opinion

We have audited the accompanying financial statements of **JUMP Math** (the "Organization"), which comprise the statement of financial position as at April 30, 2023 and the statements of change 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at April 30, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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.

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 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 Responsibility for the Audit of 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 it 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 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 judgement 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 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.

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Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

JUMP Math

Statement of Financial Position

April 30	2023 $	2022 $
ASSETS		
Current		
Cash and cash equivalents	**3,207,217**	1,638,486
Harmonized sales tax recoverable	**108,317**	107,673
Accounts receivable	**379,937**	2,142,643
Inventory [note 3]	**722,454**	394,246
Prepaid expenses	**62,587**	109,553
	4,480,512	4,392,601
Loan receivable	**49,645**	41,304
Convertible loans receivable [note 4]	**392,323**	-
Development costs - JUMP Math Digital Platform [note 4]	**102,095**	-
Capital assets [note 5]	**5,981**	6,630
	5,030,556	4,440,535
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**474,449**	327,444
Loan payable, current [note 6]	**400,000**	200,000
Deferred grants [note 7]	**584,616**	480,150
Deferred licensing fees	**1,821,638**	1,769,947
	3,280,703	2,777,541
Loan payable	**-**	200,000
	3,280,703	2,977,541
NET ASSETS		
Unrestricted	**1,749,853**	1,462,994
	5,030,556	4,440,535

see accompanying notes

On behalf of the Board:

Manjit Mann
President & Trea

Martina Doyle
Secretary

JUMP Math

Statement of Change in Net Assets

Year ended April 30	**2023** $	2022 $
Balance, beginning of year	**1,462,994**	1,534,994
Excess (deficiency) of revenue over expenses for the year	**286,859**	(72,000)
Balance, end of year	**1,749,853**	1,462,994

see accompanying notes

JUMP Math

Statement of Operations

Year ended April 30	**2023** **$**	2022 $
Revenue		
Publication sales	**4,396,522**	3,876,485
Licensing fees	**1,521,509**	206,054
Foundation grants	**1,495,929**	534,089
Donations - Corporate	**170,883**	139,220
Training	**168,465**	135,136
Donations - Individual	**156,937**	130,231
Royalties [note 4]	**108,007**	160,154
Other	**72,407**	60,638
Investment income [note 4]	**18,528**	4,673
Government grants	**9,599**	486,632
	8,118,786	5,733,312
Expenses		
Salaries and benefits	**3,754,929**	3,150,556
Printing and distribution [note 3]	**1,626,487**	1,190,370
Contractors	**1,392,161**	834,983
Operating [notes 4 and 6]	**818,321**	637,904
Communications and training	**220,043**	16,540
Amortization of capital assets	**19,986**	5,242
Forgiveness of royalties [note 4]	**-**	131,256
Government assistance	**-**	(161,539)
	7,831,927	5,805,312
Excess (deficiency) of revenue over expenses for the year	**286,859**	(72,000)

see accompanying notes

JUMP Math

Statement of Cash Flows

Year ended April 30	**2023**	2022
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	**286,859**	(72,000)
Adjustment for items not affecting cash -		
Amortization of capital assets	**19,986**	5,242
	306,845	(66,758)
Changes in non-cash working capital balances -		
(Increase) decrease in harmonized sales tax recoverable	**(643)**	(19,827)
(Increase) decrease in accounts receivable	**1,762,707**	(1,722,903)
(Increase) decrease in inventory	**(328,207)**	(201,813)
(Increase) decrease in prepaid expenses	**46,966**	(79,206)
Increase (decrease) in accounts payable and accrued liabilities	**147,003**	96,341
Increase (decrease) in deferred grants	**104,466**	371,704
Increase (decrease) in deferred licensing fee	**51,691**	1,769,947
	2,090,828	147,485
INVESTING ACTIVITIES		
Advance of loan receivable from JUMP Math, Inc.	**(8,342)**	(14,242)
Advance of loan receivable from		
Innovaciones Educativas UpSocial, S.L.	**(392,323)**	-
Purchase of capital assets	**(19,337)**	(4,046)
Development costs - JUMP Math Digital Platform	**(102,095)**	
	(522,097)	(18,288)
Net change in cash and cash equivalents during the year	**1,568,731**	129,197
Cash and cash equivalents, beginning of year	**1,638,486**	1,509,289
Cash and cash equivalents, end of year	**3,207,217**	1,638,486
Cash and cash equivalents consists of -		
Cash	**2,908,099**	1,359,306
Short-term investments	**299,118**	279,180
	3,207,217	1,638,486

see accompanying notes

April 30, 2023

1. PURPOSE OF THE ORGANIZATION

JUMP Math (the "Organization") is a mathematics education program designed for classroom use, but which also includes a derivative version that is available for non-profit tutoring programs.

The Organization was founded in 1998 by mathematician and writer John Mighton. The Organization was incorporated on August 24, 2001 under the Ontario Corporations Act as an organization without share capital. The Organization is classified as a registered charity as defined in paragraph 149(1)(f) of the Income Tax Act (Canada) [the "Act"] and, therefore, is exempt from income tax providing that it complies with donation and certain other requirements as specified by the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 incurred.

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

Licensing fees are recognized over the term of the licensing agreement.

Interest income is recognized as revenue when earned.

Cash and cash equivalents
Cash and cash equivalents consist of deposits in banks and short-term investments with an initial maturity term of three months or less at the date of acquisition.

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 distribution costs. Cost includes the direct costs to typeset, print and bind the books and is determined using weighted average cost method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets
Capital assets are stated at cost less accumulated amortization. Amortization is provided at the following annual rates which are designed to charge operations with the cost of assets over their estimated useful lives.

Computer equipment	55% declining balance
Leasehold improvements	Straight-line over lease term

In the year a capital asset is acquired, half of the annual amortization rate is applied. When capital assets no longer contribute to the Organization's ability to provide services, its carrying amount is written down to the residual value.

Development costs - JUMP Math Digital Platform
The Organization is in the process of developing a digital platform for the delivery of educational services. Expenditures related to the development of the digital platform are recorded at cost and are capitalized as an intangible asset. The carrying value of the digital platform is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the year end date. Revenue and expenses in foreign currencies are translated at the exchange rates prevailing on the transaction date. Exchange gains or losses resulting from these translations are included in the statement of operations.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments in equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, loan receivable, convertible loan receivable, accounts payable and accrued liabilities and loan payable.

Impairment

Financial assets measured at amortized cost are assessed for indicators of impairment. When there is indication of an impairment, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of investments, valuation of receivables and accrued liabilities, the estimated useful lives of capital assets and the internal allocation of salaries and overhead to projects for the purposes of recognizing restricted contributions. Actual results could differ from these estimates.

3. INVENTORY

Inventory is comprised of teacher materials and student Assessment & Practice books in the field of mathematics. Inventory totaling $993,759 (2022 - $693,643) was expensed during the year and has been included under printing and distribution expense in the statement of operations.

4. RELATIONSHIP WITH LICENSEE - INNOVACIONES EDUCATIVAS UPSOCIAL, S.L.

Licensing agreements and royalties

The Organization had a 10-year licensing agreement dated May 26, 2015 with Innovaciones Educativas UpSocial, S.L. ("InnEdu"), a Spanish for-profit social enterprise. Throughout the period of this agreement, the Organization agreed to defer a third of royalties owing to the Organization that were converted in 2020 to an equity interest in InnEdu.

Effective July 14, 2022, the Organization entered into a new superseding licensing agreement with InnEdu. During the year, the Organization earned royalties under this licensing agreement in the amount of $88,003 (2022 - $131,256), which is included in royalties revenue in the statement of operations. Pursuant to the agreement, the Organization agreed to waive its royalties as compensation to InnEdu for purposes of the development of a digital platform and digital program. As such, $88,003 has been recorded as development costs on the statement of financial position.

Convertible loans

During the year, the Organization entered into convertible loan agreements with InnEdu totaling $385,000. The convertible loans bear interest at 5% per annum and are convertible to shares of InnEdu on or before December 31, 2023. Interest revenue of $7,000 was accrued as investment income during the year and has been reflected in statement of operations.

Investment and influence

The Organization's equity interest in InnEdu totals 22.1% on a fully-diluted basis and two directors of the Organization serve as directors of InnEdu. The Organization ascribed a nominal value to the interest acquired via forgiven royalties and, as such, there is no value reported in the statement of financial position.

The transactions between these parties are in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the parties.

5. CAPITAL ASSETS

	Cost	**Accumulated amortization**	**Net book value 2023**	Net book value 2022
	$	**$**	**$**	$
Computer equipment	38,686	33,025	**5,661**	6,230
Leasehold improvements	2,918	2,598	**320**	400
	41,604	35,623	**5,981**	6,630

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6. LOANS PAYABLE

The Organization holds an impact investment loan from a Canadian charitable foundation in the amount of $400,000 to be specifically used towards pursuing the Organization's growth strategy. The loan is unsecured and bears interest at 3% per annum, payable annually on each anniversary date of the loan. Principal repayments of $200,000 are due in spring of 2023 and spring of 2024, respectively. Interest expense incurred during the year in relation to this loan totaled $12,000 (2022 - $12,000) and has been included in operating expenses.

7. DEFERRED GRANTS

Deferred grants represents grants received for a specific purpose. This revenue will be recognized when grant specifications have been met. The continuity of deferred grants is as follows:

	Balance, beginning of year $	Amounts received $	Amounts recognized as revenue $	**Balance, end of year $**
Project				
School Board Pilots	264,926	345,000	336,304	**273,622**
Tutoring Project	139,043	250,000	254,118	**134,925**
US Tutoring	-	320,865	249,525	**71,340**
National Book Fund	-	45,000	-	**45,000**
Pre-Kindergarten Program	-	150,000	113,178	**36,822**
Indigenous Outreach	76,181	75,000	128,274	**22,907**
Digital Resources Development	-	30,000	30,000	**-**
	480,150	1,215,865	1,111,399	**584,616**

8. LEASE COMMITMENT

The Organization's total obligations under various operating leases for premises and equipment are as follows:

	$
2024	**164,974**
2025	**106,368**
2026	**294**
	271,636

The Organization is also committed to its share of building operating and maintenance costs, including property taxes, over the term of the lease.

9. FINANCIAL INSTRUMENTS RISK EXPOSURE

The Organization is exposed to various risks through its financial instruments including credit risk, liquidity risk and market risk. The Organization has no changes in its risk exposure from the previous period.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's financial assets that are exposed to credit risk consist primarily of accounts receivable and loan receivables. The Organization assesses, on a continuous basis, all amounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Liquidity risk
Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk primarily arising from its accounts payable and accrued liabilities and loan payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flows from operations and by preparing budgets and cash forecasts to ensure it has sufficient funds to fulfill obligations.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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9. FINANCIAL INSTRUMENTS RISK EXPOSURE (continued)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of operations, the Organization receives grants and donations and incurs operating expenses dominated in U.S. dollars and Euros. Consequently, certain assets, liabilities and cash flows are exposed to foreign exchange fluctuations. The Organization has not hedged its exposure to foreign currency fluctuations.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its loan payable and convertible loan receivable. The Organization does not use derivative financial instruments to mitigate the effects of this risk.

Other price risk
Other price risk results from changes in market prices (other than those arising from currency risk or interest rate risk). The Organization is exposed to other price risk through its investments. The investments are exposed to economic changes and other fluctuations in domestic and global markets, as well as risks specific to issuers that may affect the market value of their securities. The Organization does not use derivative financial instruments to mitigate the effects of this risk.