

Financial Statements of

JUMP MATH

And Independent Auditors' Report thereon

Year ended April 30, 2019



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of JUMP Math

Opinion

We have audited the financial statements of JUMP Math (the Entity), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2019 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.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

October 8, 2019

JUMP MATH

Statement of Financial Position

April 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,088,533 | \$ 1,862,317 |
| HST Receivable | 184,252 | 98,720 |
| Accounts receivable | 113,661 | 94,709 |
| Inventory (note 2) | 281,740 | 318,991 |
| Prepays | 6,268 | 6,184 |
| | <u>1,674,454</u> | <u>2,380,921</u> |
| Capital assets (note 3) | 871 | 1,104 |
| Long term receivable (note 4) | 81,972 | 38,854 |
| | <u>\$ 1,757,297</u> | <u>\$ 2,420,879</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 336,000 | \$ 440,548 |
| Deferred revenue (note 5) | 139,726 | 521,341 |
| | <u>475,726</u> | <u>961,889</u> |
| Loan payable (note 6) | 400,000 | 400,000 |
| | <u>875,726</u> | <u>1,361,889</u> |
| Net assets: | | |
| Invested in capital assets | 871 | 1,104 |
| Unrestricted | 880,700 | 1,057,886 |
| | <u>881,571</u> | <u>1,058,990</u> |
| Lease commitments (note 7) | | |
| | <u>\$ 1,757,297</u> | <u>\$ 2,420,879</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

JUMP MATH

Statement of Operations

Year ended April 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---------------------|--------------------|
| Revenue: | | |
| Publication sales | \$ 2,934,411 | \$ 3,008,713 |
| Royalties (note 4) | 185,010 | 153,008 |
| Training | 123,722 | 84,855 |
| Other | 107,724 | 64,112 |
| Interest | 16,520 | 11,609 |
| Foundation grants | 810,030 | 985,115 |
| Donations: | | |
| Corporate | 365,975 | 532,498 |
| Individual | 81,042 | 86,150 |
| | <u>4,624,434</u> | <u>4,926,060</u> |
| Expenditures: | | |
| Personnel and contractors | 3,272,570 | 3,265,923 |
| Printing and distribution | 845,519 | 977,818 |
| Operating (note 6) | 425,849 | 506,512 |
| Communications and training | 257,682 | 223,095 |
| Amortization of capital assets | 233 | 299 |
| | <u>4,801,853</u> | <u>4,973,647</u> |
| Deficiency of revenue over expenditures | <u>\$ (177,419)</u> | <u>\$ (47,587)</u> |

See accompanying notes to financial statements.

JUMP MATH

Statement of Changes in Net Assets

Year ended April 30, 2019, with comparative information for 2018

| | 2019 | | | 2018 | |
|--|-------------------------------|--------------|--------------|--------------|--|
| | Invested in capital assets | Unrestricted | Total | Total | |
| Net assets, beginning of year | \$ 1,104 | \$ 1,057,886 | \$ 1,058,990 | \$ 1,106,577 | |
| Deficiency of revenue over expenditures | (233) | (177,186) | (177,419) | (47,587) | |
| Net assets, end of year | \$ 871 | \$ 880,700 | \$ 881,571 | \$ 1,058,990 | |

See accompanying notes to financial statements.

JUMP MATH

Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Deficiency of revenue over expenditures | \$ (177,419) | \$ (47,587) |
| Item not involving cash: | | |
| Amortization of capital assets | 233 | 299 |
| | (177,186) | (47,288) |
| Changes in non-cash operating working capital: | | |
| HST receivable | (85,532) | (12,660) |
| Accounts receivable | (62,070) | (71,682) |
| Inventory | 37,251 | (38,245) |
| Prepays | (84) | (1,568) |
| Accounts payable and accrued liabilities | (104,548) | 108,165 |
| Deferred revenue | (381,615) | 140,923 |
| | (773,784) | 77,645 |
| Financing: | | |
| Proceeds from loan payable | - | 400,000 |
| (Decrease) increase in cash and cash equivalents | (773,784) | 477,645 |
| Cash and cash equivalents, beginning of year | 1,862,317 | 1,384,672 |
| Cash and cash equivalents, end of year | \$ 1,088,533 | \$ 1,862,317 |

See accompanying notes to financial statements.

JUMP MATH

Notes to Financial Statements

Year ended April 30, 2019

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 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.

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Notes to Financial Statements (continued)

Year ended April 30, 2019

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) 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.

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Notes to Financial Statements (continued)

Year ended April 30, 2019

1. Significant accounting policies (continued):

(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 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 \$490,669 (2018 - \$589,886).

3. Capital assets:

| | | | 2019 | 2018 |
|------------------------|----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Computer equipment | \$ 6,758 | \$ 6,669 | \$ 89 | 127 |
| Leasehold improvements | 2,918 | 2,136 | 782 | 977 |
| | \$ 9,676 | \$ 8,805 | \$ 871 | 1,104 |

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Notes to Financial Statements (continued)

Year ended April 30, 2019

4. Investment:

The Organization has a long-term licensing agreement with a Spanish social enterprise ("Spain"). 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 earned royalties in the amount of \$152,201 (2018 - \$118,305), which is included in royalties revenue in the statement of operations.

As part of the long-term licensing agreement, Spain has the right to defer payments up to one third of the royalties owing to the Organization. Spain exercised the deferral option, applicable to years 3 to 5 of the agreement. The deferred royalties are repayable at any time before the end of the tenth year after January 30, 2016. Interest on the amount deferred accrues at a rate of Harmonised Index Consumer Prices ("HICP") +3%, compounding monthly. Any amounts outstanding subsequent to the end of the tenth year will be converted to debt bearing interest at HICP+3%, compounding monthly.

At year end April 30, 2019, the Organization had deferred royalties of \$81,972 (2018 - \$38,954) recorded as a long term receivable.

5. Deferred revenue:

Deferred revenue represents royalty advances and 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:

| | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 521,341 | \$ 380,418 |
| Amounts received | 732,736 | 1,568,220 |
| Amounts recognized as revenue | (1,114,351) | (1,427,297) |
| | <u>\$ 139,726</u> | <u>\$ 521,341</u> |

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Notes to Financial Statements (continued)

Year ended April 30, 2019

6. Loan payable:

- (a) The Organization holds a six year 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, bears interest at 3% per annum and is due May 2023. 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 (2018 - \$12,000) and has been included in operating expenses.

- (b) The Organization also 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. In fiscal year 2019, the Organization has not made the request to advance the loan.

7. Lease commitments:

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

| | | |
|------|----|--------|
| 2020 | \$ | 67,000 |
| 2021 | | 24,000 |
| 2022 | | 2,000 |
| | \$ | 93,000 |

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

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 2018.

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Notes to Financial Statements (continued)

Year ended April 30, 2019

8. Financial risks (continued):

(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.

9. Comparative information:

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