

**CLASSROOM CHAMPIONS**

**Financial Statements**

**Year Ended July 31, 2020**



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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Classroom Champions

### *Opinion*

We have audited the financial statements of Classroom Champions (the Organization), which comprise the statement of financial position as at July 31, 2020, and the statements of revenues and expenditures, changes in net assets 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 July 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO).

### *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 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 ASNPO, 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.

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Independent Auditor's Report to the Directors of Classroom Champions *(continued)*

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.

Calgary, Alberta  
December 15, 2020

*ALW Partners LLP*  
**Chartered Professional Accountants**

**CLASSROOM CHAMPIONS**  
**Statement of Financial Position**  
**July 31, 2020**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 895,417	\$ 129,414
Term deposits	-	106,607
Accounts receivable	231,492	92,164
Inventory	16,194	-
Work in progress	-	78,579
Interest receivable	-	2,232
Prepaid expenses	188	-
Due from related party (Note 5)	-	136,040
Goods and services tax recoverable	14,250	7,087
	1,157,541	552,123
<b>TERM DEPOSITS</b>	20,000	20,000
	\$ 1,177,541	\$ 572,123
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 59,346	\$ 73,120
Employee deductions payable	-	9,062
Deferred contributions (Note 6)	460,000	240,000
Due to related party (Note 5)	117,763	-
	637,109	322,182
<b>LONG TERM DEBT (Note 9)</b>	40,000	-
	677,109	322,182
<b>NET ASSETS</b>	500,432	249,941
	\$ 1,177,541	\$ 572,123

Approved by sole director

        *Janet Keel*         Director

**CLASSROOM CHAMPIONS**  
**Statement of Revenues and Expenditures**  
**Year Ended July 31, 2020**

	2020	2019
<b>REVENUES</b>		
Corporate donations	\$ 1,033,498	\$ 538,120
Individual donations	114,728	112,857
Third party events	182,311	128,518
In-kind contributions	1,222,535	996,854
Other income	252,385	36,882
	<u>2,805,457</u>	<u>1,813,231</u>
<b>EXPENSES</b>		
Program <i>(Note 7)</i>	2,210,146	1,496,177
Fundraising	232,824	218,226
Administrative	93,182	151,913
	<u>2,536,152</u>	<u>1,866,316</u>
<b>OTHER INCOME (EXPENSES)</b>		
Gain on sale of marketable securities	-	13
Gain (loss) on foreign exchange	(17,545)	9,598
Interest income (expense)	(1,269)	1,583
	<u>(18,814)</u>	<u>11,194</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ 250,491</b>	<b>\$ (41,891)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 249,941</b>	<b>\$ 291,832</b>
Excess (deficiency) of revenues over expenses	<u>250,491</u>	<u>(41,891)</u>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 500,432</b>	<b>\$ 249,941</b>

# CLASSROOM CHAMPIONS

## Statement of Cash Flows

Year Ended July 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 250,491	\$ (41,891)
Changes in non-cash working capital:		
Accounts receivable	(139,328)	(81,084)
Interest receivable	2,232	-
Inventory	(16,194)	-
Work in progress	78,579	(78,579)
Accounts payable	(13,774)	29,985
Deferred contributions	220,000	25,000
Prepaid expenses	(188)	-
Goods and services tax recoverable	(7,163)	1,140
Employee deductions payable	(9,062)	9,062
	<u>115,102</u>	<u>(94,476)</u>
Cash flow from (used by) operating activities	<u>365,593</u>	<u>(136,367)</u>
<b>FINANCING ACTIVITIES</b>		
Advances from (to) related party	253,803	(30,207)
Proceeds from long term debt	40,000	-
Cash flow from (used by) financing activities	<u>293,803</u>	<u>(30,207)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>659,396</b>	<b>(166,574)</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>236,021</u>	<u>402,595</u>
<b>CASH - END OF YEAR</b>	<u>\$ 895,417</u>	<u>\$ 236,021</u>

# CLASSROOM CHAMPIONS

## Notes to Financial Statements

Year Ended July 31, 2020

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### 1. PURPOSE OF THE ORGANIZATION

Classroom Champions (the "Organization") is a not-for-profit organization incorporated federally under the *Canada Not-for-profit Corporations Act*.

The Organization operates to provide leadership training programs and workshops to educate youth, network and development opportunities for educators, community building activities to enrich the lives of youth and families, and programming opportunities to develop quality role models in society.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO).

#### Cash and cash equivalents

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

#### Contributed materials and services

Donation of materials and services are recognized when the fair value can be reasonably estimated and materials and services are used in the normal course of operations.

#### Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

#### Income taxes

The Organization is not subject to either federal or provincial income taxes since it is a registered charity under paragraph 149(1)(f) of the *Income Tax Act* of Canada.

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**CLASSROOM CHAMPIONS**  
**Notes to Financial Statements**  
**Year Ended July 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined using the weighted-average cost formula.

Investments

Short term investments, which consist primarily of commercial paper with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost.

Investment subject to restrictions that prevent its use for current purposes are reported as non-current.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Net assets

Internally restricted net assets are funds which have been designated for a specific purpose by the Organization's management.

Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Organization each year, net of transfers, and are available for general purposes.

Revenue recognition

Classroom Champions follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Work in progress

Work in progress is measured at cost. It is comprised primarily of purchased goods, direct labour and related production costs incurred during the year but not placed into use.

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**CLASSROOM CHAMPIONS**  
**Notes to Financial Statements**  
**Year Ended July 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support costs are not allocated except for rental costs; these are allocated to the Program and Fundraising functions based on number of staff considered to be primarily focused on those functions.

**3. FINANCIAL INSTRUMENTS**

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of July 31, 2020.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from donations and other related sources, and accounts payable.

***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 rate risk, interest rate risk and other price risk. The Organization is mainly exposed to currency risk.

***Currency risk***

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

**CLASSROOM CHAMPIONS**  
**Notes to Financial Statements**  
**Year Ended July 31, 2020**

**4. RELATED PARTY TRANSACTIONS**

	2020	2019
Classroom Champions USA (CC US) <i>(affiliated organization)</i>		
Organization payments of CC US expenses	\$ 485,442	\$ 353,298
CC US payments of organization expenses	(482,736)	(116,380)
Net repayments	(256,509)	(206,711)
	\$ (253,803)	\$ 30,207

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

**5. DUE (TO) FROM RELATED PARTY**

	2020	2019
Classroom Champions USA	\$ (117,763)	\$ 136,040

Amounts due from a related organization are non-interest bearing, have no set repayment terms, and are not secured.

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represent corporate sponsorships restricted to be used in a designated manner, such as in a specific geographic area or at a specific time. The changes in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	\$ 240,000	\$ 215,000
Receipt of restricted contributions	460,000	242,120
Expenditure of restricted contributions	(240,000)	(217,120)
Balance, end of year	\$ 460,000	\$ 240,000

**CLASSROOM CHAMPIONS**  
**Notes to Financial Statements**  
**Year Ended July 31, 2020**

**7. PROGRAM EXPENSES**

	2020	2019
Student, Teacher, & Family Support/Training	\$ 422,225	\$ 205,070
Education Content Creation	1,048,619	833,518
EDU Program Support	318,983	329,128
Education Program Development & Communications	165,575	110,264
Community Events	22,481	18,197
Education Curriculum & Platform Rebuild	232,262	-
	<b>\$ 2,210,145</b>	<b>\$ 1,496,177</b>

**8. ALLOCATION OF EXPENSES**

	2020	2019
Program	\$ 72,673	\$ 66,910
Fundraising	7,683	9,759
	<b>\$ 80,356</b>	<b>\$ 76,669</b>

**9. GOVERNMENT ASSISTANCE**

Management believes that the Organization suffered material revenue losses in March and April 2020 due to the COVID-19 pandemic. This includes, but is not limited to, cancellation of the annual spring fundraiser that historically has resulted in \$85,000 to \$175,000 in revenues.

As a result of the pandemic the Federal government created an Economic Response Plan to support individuals and businesses, including offering various loans and subsidies. The Organization applied for the Canada Emergency Business Account (CEBA) and the Canada Emergency Wage Subsidy (CEWS).

The CEBA program operates as a business loan with no interest, no security, and no specified repayment terms until December 31, 2022. If repaid by this date, 25% of the loan balance as at December 31, 2020 may be forgiven.

The CEWS program is a wage subsidy program, which is offered to businesses who saw a significant reduction in revenues, that covers a portion of employee's wages.

The Company received the CEBA loan in the amount of \$40,000, while wage subsidies through the CEWS program was reported as Other Income in the amount of \$119,411.

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**10. ALBERTA CHARITABLE FUND-RAISING REGULATION**

As required under section 7(2) of *Alberta's Charitable Fund-raising Regulation*, the total amount paid as remuneration to employees whose principal duties involve fundraising is \$74,070.

**11. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.