Financial Statements of

JUMP MATH

And Independent Auditors' Report thereon

Year ended April 30, 2020

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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, 2020
- 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, 2020 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.

- 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

November 24, 2020

JUMP MATH

Statement of Financial Position

April 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,080,674	$ 1,088,533
HST Receivable	79,265	184,252
Accounts receivable (note 2)	687,442	113,661
Inventory (note 3)	294,139	281,740
Prepaids	9,172	6,268
	2,150,692	1,674,454
Capital assets (note 4)	688	871
Long-term receivable (note 5)	-	81,972
	$ 2,151,380	$ 1,757,297
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 760,991	$ 336,000
Deferred revenue (note 6)	137,141	139,726
	898,132	475,726
Loan payable (note 7)	400,000	400,000
	1,298,132	875,726
Net assets:		
Invested in capital assets	688	871
Unrestricted	852,560	880,700
	853,248	881,571
Lease commitments (note 9)		
Subsequent event (note 11)		
	$ 2,151,380	$ 1,757,297

See accompanying notes to financial statements.

On behalf of the Board:

Director

Vinay Saini Director

JUMP MATH

Statement of Operations

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Publication sales	$ 3,387,564	$ 2,934,411
Royalties (note 5)	193,084	185,010
Training	157,159	123,722
Other (note 8)	290,316	107,724
Interest	5,760	16,520
Foundation grants	699,353	810,030
Donations:		
Corporate	236,905	365,975
Individual	100,430	81,042
	5,070,571	4,624,434
Expenditures:		
Personnel and contractors	3,272,100	3,272,570
Printing and distribution	979,477	845,519
Operating (notes 5 and 7)	655,336	425,849
Communications and training	191,798	257,682
Amortization of capital assets	183	233
	5,098,894	4,801,853
Deficiency of revenue over expenditures	$ (28,323)	$ (177,419)

See accompanying notes to financial statements.

JUMP MATH

Statement of Changes in Net Assets

Year ended April 30, 2020, with comparative information for 2019

			2020	2019
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 871	$ 880,700	$ 881,571	$ 1,058,990
Deficiency of revenue over expenditures	(183)	(28,140)	(28,323)	(177,419)
Net assets, end of year	$ 688	$ 852,560	$ 853,248	$ 881,571

See accompanying notes to financial statements.

JUMP MATH

Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019

		2020		2019
Cash provided by (used in):				
Operating activities:				
Deficiency of revenue over expenditures	$	(28,323)	$	(177,419)
Item not involving cash:				
Amortization of capital assets		183		233
		(28,140)		(177,186)
Changes in non-cash operating working capital:				
HST receivable		104,987		(85,532)
Accounts receivable		(491,809)		(62,070)
Inventory		(12,399)		37,251
Prepaids		(2,904)		(84)
Accounts payable and accrued liabilities		424,991		(104,548)
Deferred revenue		(2,585)		(381,615)
		(7,859)		(773,784)
Decrease in cash and cash equivalents		(7,859)		(773,784)
Cash and cash equivalents, beginning of year		1,088,533		1,862,317
Cash and cash equivalents, end of year	$	1,080,674	$	1,088,533

See accompanying notes to financial statements.

JUMP Math (the "Organization" or "JUMP") 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 distribution 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) 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.

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, valuation of receivables and accrued liabilities. Actual results could differ from those estimates.

(j) Government assistance:

The Organization has applied for financial assistance under available government incentive programs. Government assistance related to current expenses is recognized as revenue during the period.

2. Accounts receivable:

	2020	2019
Accounts receivable	$ 762,592	$ 113,661
Less allowance for doubtful accounts	75,150	-
	$ 687,442	$ 113,661

3. 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 $570,421 (2019 - $490,669).

4. Capital assets:

		Cost		Accumulated amortization		2020 Net book value		2019 Net book value
Computer equipment	$	6,758	$	6,696	$	62	$	89
Leasehold improvements		2,918		2,292		626		782
	$	9,676	$	8,988	$	688	$	871

5. Investment:

The Organization has a long-term licensing agreement dated May 26, 2015 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 $156,348 (2019 - $152,201), 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 at April 30, 2020, the Organization had deferred royalties of $135,464 (2019 - $81,972) recorded as a long term receivable. A reserve of $135,464 (2019 - nil) has been taken against this deferred royalties balance.

6. Deferred revenue:

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

Changes in deferred revenue are as follows:

	2020	2019
Balance, beginning of year	$ 139,726	$ 521,341
Amounts received	862,858	732,736
Amounts recognized as revenue	(865,443)	(1,114,351)
	$ 137,141	$ 139,726

7. 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 2024. 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 (2019 - $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 2020, the Organization has not made the request to advance the loan.

8. Government assistance:

During the year, $163,913 (2019 - nil) of government assistance was received related to the Canada Emergency Wage Subsidy program.

9. Lease commitments:

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

2021	$	108,000
2022		134,000
2023		144,000
2024		144,000
2025		96,000
	$	626,000

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

10. 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 2019.

(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.

10. Financial risks (continued):

(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.

11. Subsequent event:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in worldwide, including the Canadian and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption in Canada to our fundraising efforts. As at year end, included in receivables is $143,000 in relation to the Canada emergency wage subsidy funding. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time.