

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2012



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

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JUNE 30, 2012

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DAURIO & FRANKLIN LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Junior Achievement of Central Ontario

We have audited the accompanying financial statements of Junior Achievement of Central Ontario, which comprise the statement of financial position as at June 30, 2012 and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 generally accepted accounting principles 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Junior Achievement of Central Ontario as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Daurio & Franklin LLP

Chartered Accountants, Licensed Public Accountants

August 28, 2012
Toronto, Ontario

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

STATEMENT OF FINANCIAL POSITION

As at June 30, 2012

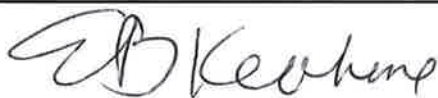
	2012	2011 (Note 3)
	\$	\$
ASSETS		
Current Assets		
Cash	345,073	163,212
Accounts receivable	225,652	214,073
Prepaid expenses and deposits	44,907	65,903
	615,632	443,188
Investments - (Note 5)	873,116	852,175
Equipment - (Note 6)	50,004	13,596
	1,538,752	1,308,959
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	160,868	134,099
Deferred revenue - (Note 7)	96,394	99,213
	257,262	233,312
Net Assets		
Unrestricted	381,490	175,647
Internally restricted - (Note 8)	900,000	900,000
	1,281,490	1,075,647
	1,538,752	1,308,959

Approved on Behalf of the Board:

Approved



Approved



The accompanying notes are an integral part of these financial statements.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

STATEMENT OF OPERATIONS

For the year ended June 30, 2012

	2012	2011
	\$	(Note 3) \$
Revenues		
Program designated contributions	1,414,351	1,313,722
Donations and other contributions	192,013	273,649
Special events	677,714	582,106
Interest and other income	18,087	16,371
	2,302,165	2,185,848
Expenses		
Program and materials	1,008,819	926,025
Special events	203,935	164,800
Resource development personnel	182,617	184,079
Administrative personnel	400,545	295,488
Office and general	139,713	152,939
Leadership gifts campaign	25,725	-
Facilities	122,020	169,766
Amortization	15,680	9,386
	2,099,054	1,902,483
Excess of Revenues over Expenses	203,111	283,365

The accompanying notes are an integral part of these financial statements.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2012

	Unrestricted	Internally Restricted (Note 8)	Externally Restricted	Total 2012	Total 2011 (Note 3)
	\$	\$	\$	\$	\$
Balance - Beginning of the Year, as Previously Reported	175,647	900,000	10,211	1,085,858	792,606
Change in Accounting Policy - (Note 3)	-	-	(10,211)	(10,211)	(12,555)
Balance, Beginning of the Year, as Restated	175,647	900,000	-	1,075,647	780,051
Unrealized Gain on Available-for- Sale Financial Assets	2,732	-	-	2,732	12,231
Excess of Revenues over Expenses	203,111	-	-	203,111	283,365
Balance - End of the Year	381,490	900,000	-	1,281,490	1,075,647

The accompanying notes are an integral part of these financial statements.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

STATEMENT OF CASH FLOWS

For the year ended June 30, 2012

	2012	2011 (Note 3)
	\$	\$
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating		
Excess of revenues over expenses	203,111	283,365
Items not involving cash:		
Amortization	15,680	9,386
Acquisition of equipment, gifted	-	(13,193)
Changes in:		
Accounts receivable	(11,579)	90,127
Prepaid expenses and deposits	20,995	(3,200)
Accounts payable and accrued liabilities	26,772	(101,269)
Deferred revenue	(2,818)	24,158
	252,161	289,374
Investing		
Investments, net	(18,210)	(246,482)
Purchase of equipment	(52,090)	-
	(70,300)	(246,482)
Net Increase in Cash	181,861	42,892
Cash - Beginning of the Year	163,212	120,320
Cash - End of the Year	345,073	163,212

The accompanying notes are an integral part of these financial statements.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. **Purpose of Organization**

Junior Achievement of Central Ontario (the "Corporation") was incorporated in Ontario with letters patent as a not-for-profit corporation.

The Corporation offers a variety of business related educational programs to youth in all school boards across Toronto, York, Peel, Halton, Dufferin, Durham and Simcoe regions. Support for these programs is obtained from companies, foundations and individuals. The programs are taught by qualified volunteers from the community. The Corporation is a licensee of Junior Achievement of Canada ("JACAN").

The Corporation is a registered charity and as such is exempt from income taxes.

2. **Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada for not-for-profit organizations. The significant accounting policies of the Corporation are summarized below:

a) **Revenue Recognition**

The Corporation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received for restricted purposes are recognized into revenue in the year when the related expense is incurred.

The Internally Restricted Fund represents resources explicitly appropriated by the Board of Directors for purposes described in Note 8.

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

b) **Contributed services**

Contributions of material and services are recognized as revenue at fair value at the date of contribution if fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased. Services contributed by volunteers as instructors of the programs are not recognized in the financial statements due to the difficulty in determining their fair value.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. **Summary of Significant Accounting Policies - Continued**

e) **Financial Instruments**

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in the Statement of Operations. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost.

Investments are classified as "available-for-sale" and recorded at fair value. Unrealized gains or losses are recognized as a change in the Statement of Changes in Fund Balance.

For certain of the Corporation's other financial instruments, including cash, accounts receivable (which are classified as loans and receivables), and accounts payable and accrued liabilities (which are classified as other liabilities), their carrying values approximate their fair values due to their short-term maturities.

The Corporation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following sections of the CICA Handbook: Section 3862 Financial Instruments - Disclosure, and CICA section 3863 Financial Instruments - Presentation. The Corporation applies the requirements of CICA Section 3861, Financial Instruments - Disclosure and Presentation.

d) **Equipment**

Purchased equipment is recorded at cost. Contributed equipment is recorded at the fair market value at the date of contribution. Amortization is calculated on computer hardware and software, and furniture and fixtures, on a straight-line basis at 33 1/3 % per annum.

e) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. Changes in Accounting Policy

During 2012, the Corporation changed its accounting policy for the treatment of restricted contributions. In previous periods, the Corporation accounted for restricted contributions using the restricted contribution method. The Corporation has now decided to treat these contributions using the deferred contribution method. Management believes that the new policy is more consistent with industry practice, making the Corporation's financial statements more comparable.

As a result of the retrospective application with restatement of prior fiscal financial statements, the net impact of this change is summarized below:

	As previously stated 2011	Adjustment	Restated 2011
Interest and other income	\$ 16,527	\$ (156)	\$ 16,371
Program and materials	928,525	(2,500)	926,025
Deferred revenue	89,002	10,211	99,213
Externally restricted fund	12,555	(12,555)	-

4. Recent Pronouncements

In December 2010, the Accounting Standards Board ("AcSB") released Part III of the CICA Handbook - Accounting, which consists of standards for not-for-profit organizations. The accounting standards are effective for fiscal years beginning on or after January 1, 2012. The Corporation will be adopting these standards for the fiscal year ending June 30, 2013. Management is currently assessing the impact of these standards.

5. Investments

Investments are made up of the following:

	2012	2011
Cash	\$ 10,749	\$ 6,070
GIC's and government bonds	-	91,877
Fixed income	149,099	75,630
Canadian money market funds	575,772	545,791
Equities	137,496	132,807
	<u>\$ 873,116</u>	<u>\$ 852,175</u>



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

6. Equipment

Equipment is made up of the following:

	Cost	Accumulated Amortization	Net Book Value 2012	2011
Computer hardware and software	\$ 116,884	\$ 69,064	\$ 47,820	\$ 13,243
Furniture and fixtures	3,466	1,282	2,184	353
	\$ 120,350	\$ 70,346	\$ 50,004	\$ 13,596

During fiscal 2012, fully amortized assets of \$10,751 were written off.

7. Deferred Revenue

Deferred revenue is made up of the following:

	<u>2012</u>	<u>2011</u> (Note 3)
Deferred contributions:		
- Governors' Dinner	\$ 35,500	\$ 37,500
- Program Sponsorship	\$ 40,250	\$ 29,000
- Other	\$ 12,765	\$ 22,502
Restricted contributions	\$ 7,879	\$ 10,211
Deferred revenue	\$ 96,394	\$ 98,213

Deferred contributions are funds received in advance of the year to which they relate.

Restricted contributions are funds received for The Ralph Gerhardt Fund, which was established by donations to provide for an annual award under the Company Program, and The Achiever of the Year Fund which was established by donation to fund an annual scholarship until 2017.

8. Internally Restricted Funds

Junior Achievement of Canada ("JACAN") has a guideline specifying that each Junior Achievement charter should maintain a minimum of 50% of the prior fiscal year's operating expenses (less amortization and special events expenses) in a Contingency Fund, to ensure the charters' continuity in the event of adverse economic conditions or emergencies. In response to the JACAN guideline, the Corporation's Board of Directors established a Contingency Fund to provide a reserve to be used in emergency situations and also to fund any operating shortfalls, specific projects or other contingencies. The Board of Directors reviews and determines the appropriate fund balance annually based on economic conditions and the JACAN guideline. In fiscal 2011, the Corporation's operating expenses, less amortization and special events expenses, totaled \$1,728,000 (2010 - \$2,364,000), resulting in an indicated Contingency Fund balance at June 30, 2012 of \$864,000 (2011 - \$1,182,000) under the JACAN guideline. At June 30, 2012, the Contingency Fund balance was \$900,000 (2011 - \$900,000) and is partially invested in investible assets. There are no consequences to the Corporation when the Contingency Fund balance is less than the JACAN guideline amount.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

9. **Lease Commitments**

The Corporation is committed under operating lease agreements for equipment and premises to base rental payments as follows:

2013	\$	103,105
2014		68,919
2015		68,158
2016		70,192
2017, and thereafter		108,849
	\$	419,223

10. **Other Commitments**

The corporation entered into a contract for the implementation of new software modules and the provision of software licenses. The total contract amount is \$38,430 plus taxes, of which \$19,950 is remaining to be billed subsequent to year-end. The corporation also entered into a contract for the provision of fundraising campaign services. The amount remaining to be billed related to future fiscal years is approximately \$66,500, plus taxes.

11. **Contributions of Services and Materials**

During the fiscal year ended June 30, 2012, the Operating Fund recorded revenues amounting to \$11,107 (2011 - \$8,631) from contributed services and materials. Contributions of equipment amounted to \$Nil in 2012 (2011 - \$13,193) as certain corporate sponsors provided contributions of computer equipment in lieu of cash contributions.

12. **Related Party Transactions**

The Corporation is a separate charter acting under an operating agreement with JACAN. During the year, the Corporation paid \$115,591 (2011 - \$113,991) for supplies, services and charter fees. Included in accounts payable at June 30, 2012 is \$Nil (2011 - \$10,000) owed to JACAN, and \$4,500 (2010 - \$8,500) owed to other Junior Achievement charters.

Included in accounts receivable at June 30, 2012 is \$46,500 (2011 - \$46,000) owed from JACAN.

13. **Risk Assessments**

a) **Credit Risk**

Credit risk is the ability of the issuer of the investment to make interest payments and repay the principal. The Corporation manages its credit risk on its investment portfolio by limiting its investments to those issued or guaranteed by federal or provincial governments along with major Canadian banks and corporations.

b) **Interest Rate Risk**

Interest rate risk is the sensitivity of the investment portfolio to fluctuations in market interest rates. The Corporation mitigates its interest rate risk by an investment policy to vary the maturity dates of its investments.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

14. **Capital Risk Management**

The Corporation defines its capital as the sum of all fund balances. The Corporation's objectives in managing its capital are to ensure that it is able to deliver its program objectives, to comply with all requirements of any funding received, to maintain a sufficient Contingency Fund balance, and to raise sufficient revenues to enable the Corporation to meet its objectives. The Corporation believes it is in compliance with all established requirements.

15. **Comparative Figures**

Certain amounts from the prior year have been reclassified to conform with the current year's financial statement presentation. The Corporation decided to collapse the Invested in Equipment fund and a small internally restricted fund into the Unrestricted net asset balance.

