

**JUNIOR ACHIEVEMENT OF
CENTRAL ONTARIO**

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

JUNE 30, 2017

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

June 30, 2017

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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, 2017 and the statements of operations, 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 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.

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, 2017, 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.

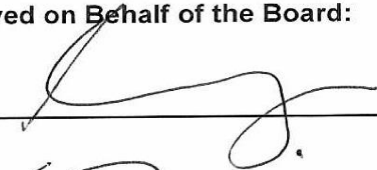
Franklin, Daurio LLP

Chartered Professional Accountants, Licensed Public Accountants
October 23, 2017
Toronto, Ontario


Junior Achievement of Central Ontario
Statement of Financial Position
As at June 30, 2017

	Note	2017	2016
ASSETS			
Current			
Cash		\$ 350,184	\$ 475,731
Accounts Receivable	[12]	298,444	228,947
HST Receivable		85,617	71,437
Prepaid Expenses		84,248	64,658
		818,493	840,773
Capital Assets	[3]	2,552	6,119
Investments	[4]	1,565,677	1,432,139
		1,568,229	1,438,258
TOTAL ASSETS		2,386,722	2,279,031
LIABILITIES AND NET ASSETS			
Current			
Accounts Payable and Accrued Liabilities	[12]	177,993	161,156
Deferred Contributions	[5]	92,280	100,875
Total Liabilities		270,273	262,031
Net Assets			
Unrestricted Net Assets		716,449	617,000
Endowment Fund	[6]	500,000	500,000
Internally Restricted Fund	[8]	900,000	900,000
		2,116,449	2,017,000
TOTAL LIABILITIES AND NET ASSETS		\$ 2,386,722	\$ 2,279,031

Approved on Behalf of the Board:



Director



Director

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, 2017

	Note	2017	2016
Revenue			
Program designated contributions		\$ 1,524,418	\$ 1,489,090
Donations and other contributions	[6] [7]	152,370	159,405
Special events		721,542	668,312
Investment income	[7]	26,111	48,318
		2,424,441	2,365,125
Expenses			
Program and materials	[12]	1,058,195	991,975
Special events		217,569	206,650
Resource development personnel		305,116	280,395
Administrative personnel		434,824	409,795
Office and general		160,826	169,285
Marketing		94,901	6,682
Facilities		134,934	125,207
Amortization of capital assets		3,568	3,568
		2,409,933	2,193,557
Excess of Revenues over Expenses Before the Undernoted Item		14,508	171,568
Unrealized gain (loss) on investments		84,941	(56,511)
Excess of Revenues over Expenses		\$ 99,449	\$ 115,057

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, 2017

	Unrestricted Net Assets	Internally Restricted	Endowment Fund	2017	2016
Net Assets, Beginning of the Year	\$ 617,000	\$ 900,000	\$ 500,000	\$ 2,017,000	\$ 1,901,943
Excess of Revenues over Expenses	99,449	-	-	99,449	115,057
Net Assets, End of the Year	\$ 716,449	\$ 900,000	\$ 500,000	\$ 2,116,449	\$ 2,017,000

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, 2017

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Cash (Used in) Provided by Operating Activities		
Excess of Revenues over Expenses	\$ 99,449	\$ 115,057
Items Not Involving Cash:		
Amortization of Capital Assets	3,568	3,568
Unrealized (Gain) Loss on Investments	(84,941)	56,511
Changes in:		
Accounts Receivable	(69,497)	(29,769)
HST Receivable	(14,180)	7,588
Prepaid Expenses	(19,590)	(3,751)
Accounts Payable and Accrued Liabilities	16,835	3,431
Deferred Contributions	(8,594)	46,948
Net Cash Provided (Used) by Operating Activities	(76,950)	199,583
Cash Flows from Investing Activities		
Investments, Net	(48,597)	(62,506)
Net (Decrease) Increase in Cash	(125,547)	137,077
Cash, Beginning of the Year	475,731	338,654
Cash, End of the Year	\$ 350,184	\$ 475,731

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

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

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").

Pursuant to the Income Tax Act (Canada) the Corporation is a tax-exempt registered charity.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. The significant policies are:

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.

The Endowment Fund represents resources where external and/or internal restrictions require that the principal must be maintained permanently. The investment income generated from the assets held in the Endowment Fund must be used in accordance with the various purposes established by the donor. Where the investment income is to be used for operations, including the delivery of programs, the investment income is recognized as part of Unrestricted net assets.

Contributions received for the Endowment Fund are recognized directly into the Endowment Fund in the Statement of Changes in Net Assets in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

b) Contributed Materials and Services

Contributions of material and services are recorded 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. Additionally, the Corporation would not be able to carry out its administrative activities without the services of volunteers who donate a considerable number of hours, including business professionals who directly deliver classroom programs as instructors. Because of the difficulty of determining their fair value, the value of these contributed services are not recognized in the financial statements.

c) Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value. The Corporation subsequently measures all of its financial assets and liabilities at amortized cost, except for its investments, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations. Transaction costs associated with the acquisition of these investments are recognized in the Statement of Operations in the period incurred. All other financial instruments are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

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

Financial assets measured at fair value include investments.

d) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are 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 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 revenues and expenses during the reporting period. Significant estimates include those used when accounting for allowance for doubtful accounts. Actual results could differ from management's best estimates as additional information becomes available in the future.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

3. Capital Assets

Capital assets comprises the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2017</u>
Computer hardware and software	\$ 162,531	\$ 160,475	\$ 2,056
Furniture and fixtures	6,522	6,026	496
	\$ 169,053	\$ 166,501	\$ 2,552

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2016</u>
Computer hardware and software	\$ 162,531	\$ 157,515	\$ 5,016
Furniture and fixtures	6,522	5,419	1,103
	\$ 169,053	\$ 162,934	\$ 6,119

4. Investments

Investments, which are all measured at fair value, are made up of the following:

	<u>2017 Operations</u>	<u>2017 Endowment</u>	<u>2017 Total</u>	<u>2016 Total</u>
Cash and fixed income	\$ 737	\$ 3,550	\$ 4,287	\$ 90,047
Canadian money market funds	196,013	-	196,013	209,340
Mutual funds	737,206	514,503	1,251,709	991,174
Equities	64,336	49,332	113,668	141,578
	\$ 998,292	\$ 567,385	\$ 1,565,677	\$ 1,432,139

Investments held for the Endowment Fund total \$567,385 (2016 - \$517,777) (Note 6). This amount represents the fair value of the investments, which includes an accumulated unrealized gain (loss) on the investments held in the Endowment Fund of \$6,737 (2016 - (\$21,853)), and the portion of investment income not distributed to the operating bank account of \$60,649 (2016 - \$39,630). The investment income and unrealized gain (loss) on investments have been recognized in the Statement of Operations as part of Unrestricted Net Assets.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

5. Deferred Contributions

Deferred contributions are made up of the following:

Deferred contributions:		<u>2017</u>		<u>2016</u>
- Program Sponsorship	\$	43,700	\$	51,393
- Governors' Dinner		30,000		30,000
- Other		17,400		17,302
Restricted contributions		1,180		2,180
	\$	<u>92,280</u>	\$	<u>100,875</u>

Deferred contributions are funds received in advance of the year to which they relate, and are recognized in their entirety in the following fiscal year.

Restricted contributions represent donations received to specifically fund awards and scholarships presented at the annual Company Program Event.

6. Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Corporation where the endowment principal is required to be invested by the Corporation in perpetuity. The Endowment Fund may also include internal amounts transferred by the Board to the Endowment Fund, with the intention that the principal be invested in perpetuity. The investment income generated from the assets held in the Endowment Fund must be used in accordance with the various purposes established by the donor.

The Endowment Fund currently consists of The Gary and Joanne Reamey Family Endowment, which was established during fiscal 2013, by the contribution of \$500,000 to the Corporation. Its purpose is to fund and support the Corporation's financial literacy, entrepreneurial, and work readiness objectives, for the benefit of grades 3 to 12 students attending school in the region covered by the Corporation's charter. The investment income generated by The Gary and Joanne Reamey Family Endowment is to be used by the Corporation for these programming objectives.

Investment income of \$20,184 (2016 - \$14,945) and an unrealized gain (loss) on the Endowment Fund investments of \$28,588 (2016 - (\$8,327)) have been recognized in the Statement of Operations, in Donations and other contributions, and Unrealized gain (loss) on investments, respectively.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

7. Investment Income

Investment income is made up of the following:

	<u>2017</u>	<u>2016</u>
Investment income from Operations		
Dividend income	\$ 32,178	\$ 16,327
Interest income	(16)	4,128
Gain (loss) on sale of investments	(6,051)	27,863
	26,111	48,318
Investment income from Endowment Fund (included in Donations and other contributions on the Statement of Operations)		
Dividend income	\$ 18,578	\$ 12,613
Interest income	1,606	4,299
Loss on sale of investments	-	(1,967)
	20,184	14,945
Total investment income	\$ 46,295	\$ 63,263

8. Internally Restricted Fund

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 2016, the Corporation's operating expenses, less amortization and special events expenses, totaled \$1,940,000 (2015 - \$1,928,000), resulting in an indicated Contingency Fund balance at June 30, 2017 of \$970,000 (2016 - \$964,000) under the JACAN guideline. At June 30, 2017, the Contingency Fund balance was \$900,000 (2016 - \$900,000) and is invested in investible assets. There are no consequences to the Corporation when the Contingency Fund balance is less than the JACAN guideline amount - at June 30, 2017, the Corporation is \$70,000 under (2016 - \$64,000 under) the JACAN guideline.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

9. Lease Commitments

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

2018	\$	80,221
2019		76,744
2020		76,744
2021		77,762
2022		79,796
Thereafter		40,407
	\$	<u>431,674</u>

10. Credit Facility

The Corporation has available an unsecured line of credit facility of \$50,000, of which \$Nil was drawn at June 30, 2017 (2016 - \$Nil). The line of credit when drawn, bears interest at the bank's prime rate plus 4%.

11. Contributions of Services and Materials

During the fiscal year ended June 30, 2017, the Unrestricted Net Assets recorded revenues amounting to \$Nil (2016 - \$7,000) from contributed services and materials.

12. Related Party Transactions

The Corporation is a separate charter acting under an operating agreement with JACAN. During the year, the Corporation paid \$102,477 (2016 - \$101,008) for charter fees, and \$206,872 (2016 - \$11,900) for supplies, services and other expenditures. These transactions are included in Programs and Materials in the Statement of Operations, were measured at the exchange amount, and were in the normal course of operations.

Included in accounts receivable at June 30, 2017 is \$161,984 (2016 - \$133,151) owed from JACAN.

Included in accounts payable at June 30, 2017 is \$24,230 (2016 - \$Nil) owed to JACAN.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2017

13. Financial Instrument Risk Disclosure

The significant financial risks to which the Corporation is exposed are:

a) **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.

b) **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.

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist primarily of accounts receivable. Management has reviewed the collectibility of its accounts receivable, and has provided an allowance for doubtful accounts of approximately \$11,600 (2016 - \$13,000).

c) **Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with the financial liabilities. The Corporation manages its liquidity risk by monitoring its operating requirements, and prepares budgets to ensure it has sufficient funds to fulfill its obligations. Additionally, the Corporation maintains a Contingency Fund in the event of adverse economic conditions or emergencies.

d) **Other price risk:**

The Corporation is not subject to other price risk as it has no investments in the stock market.

Price risk is the sensitivity of the investment portfolio to fluctuations in the stock market prices. There is a direct relationship between stock market performance and the value of the Corporation's investment portfolio. The Corporation mitigates this risk by varying its investments and using professional money managers..

There have been no changes in the Corporation's risk exposures from the prior year.

14. Comparative Figures

Certain reclassifications of the prior year's amounts have been made to facilitate comparison with the current year's presentation.