

**JUNIOR ACHIEVEMENT OF
CENTRAL ONTARIO**

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

JUNE 30, 2019

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

June 30, 2019

Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14



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INDEPENDENT AUDITOR'S REPORT

To the Members of
Junior Achievement Of Central Ontario

Opinion

We have audited the accompanying financial statements of Junior Achievement Of Central Ontario (the "Organization"), which comprise the statement of financial position as at June 30, 2019 and the statements of operations, 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 June 30, 2019, 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.

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 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

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 Organization'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 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.

Franklin, Daurio LLP

Chartered Professional Accountants, Licensed Public Accountants
October 23, 2019
Toronto, Ontario

Junior Achievement of Central Ontario
Statement of Financial Position
As at June 30, 2019

	Note	2019	2018
ASSETS			
Current			
Cash		\$ 163,203	\$ 517,500
Accounts Receivable	[11]	185,345	193,906
HST Receivable		82,857	82,550
Prepaid Expenses		75,293	66,322
		506,698	860,278
Capital Assets	[3]	24,787	-
Investments	[4]	1,975,081	1,635,740
		1,999,868	1,635,740
TOTAL ASSETS		2,506,566	2,496,018
LIABILITIES AND NET ASSETS			
Current			
Accounts Payable and Accrued Liabilities	[11]	143,758	167,445
Deferred Contributions	[5]	88,320	91,000
Total Liabilities		232,078	258,445
Net Assets			
Unrestricted Net Assets		574,488	837,573
Endowment Fund	[6]	500,000	500,000
Internally Restricted Fund	[8]	1,200,000	900,000
		2,274,488	2,237,573
TOTAL LIABILITIES AND NET ASSETS		\$ 2,506,566	\$ 2,496,018

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, 2019

	Note	2019	2018
Revenue			
Program designated contributions	[11]	\$ 1,521,311	\$ 1,514,183
Donations and other contributions		232,098	223,769
Special events		701,538	644,771
Investment income	[7]	80,859	35,430
		2,535,806	2,418,153
Expenses			
Program and materials	[11]	1,141,781	1,068,908
Special events		204,420	203,049
Resource development personnel		338,759	299,658
Administrative personnel		411,017	420,023
Office and general		194,544	150,796
Marketing		74,959	48,465
Facilities		152,621	149,930
Amortization of capital assets		4,957	2,551
		2,523,058	2,343,380
Excess of Revenues over Expenses Before the Undernoted Item		12,748	74,773
Unrealized gain on investments		24,167	46,351
Excess of Revenues over Expenses		\$ 36,915	\$ 121,124

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, 2019

	Note	Unrestricted Net Assets	Internally Restricted	Endowment Fund	2019	2018
Net Assets, Beginning of the Year		\$ 837,573	\$ 900,000	\$ 500,000	\$ 2,237,573	\$ 2,116,449
Excess of Revenues over Expenses		36,915	-	-	36,915	121,124
Net Assets, Before Transfers		874,488	900,000	500,000	2,274,488	2,237,573
Interfund Transfers	[8]	(300,000)	300,000	-	-	-
Net Assets, End of the Year		\$ 574,488	\$ 1,200,000	\$ 500,000	\$ 2,274,488	\$ 2,237,573

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, 2019

	2019	2018
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Cash (Used in) Provided by Operating Activities		
Excess of Revenues over Expenses	\$ 36,915	\$ 121,124
Items Not Involving Cash:		
Amortization of Capital Assets	4,957	2,551
Contribution of Gifted Services	(17,430)	-
Unrealized Gain on Investments	(24,167)	(46,351)
Changes in:		
Accounts Receivable	8,561	104,538
HST Receivable	(307)	3,067
Prepaid Expenses	(8,970)	17,926
Accounts Payable and Accrued Liabilities	(23,688)	(11,728)
Deferred Contributions	(2,680)	(100)
Net Cash Provided (Used) by Operating Activities	(26,809)	191,027
Cash Flows from Investing Activities		
Investments, Net	(315,174)	(23,711)
Acquisition of Capital Assets	(12,314)	-
Net Cash Used by Investing Activities	(327,488)	(23,711)
Net (Decrease) Increase in Cash	(354,297)	167,316
Cash, Beginning of the Year	517,500	350,184
Cash, End of the Year	\$ 163,203	\$ 517,500

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

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

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, 2019

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) Short-Term and Long-Term Investments

The Corporation classifies its investments based on intention for use, rather than the composition and maturity dates of the underlying investments. Although the Corporation has the ability to liquidate a portion of the long-term investments at any given time based on their composition, in substance management intends to hold the long-term investments for a period greater than one year. Long-term investments are held for earning investment income and / or to fulfill internal and external restrictions to maintain investments for long-term purposes, and are not held for operating purposes.

e) 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.

f) Impairment of Long-Lived Assets

An impairment charge is recognized for long-lived assets whenever an event or change in circumstance causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying values.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

g) 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.

3. Capital Assets

Capital assets comprises the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2019</u>
Computer hardware and software	\$ 29,744	\$ 4,957	\$ 24,787
Furniture and fixtures	-	-	-
	\$ 29,744	\$ 4,957	\$ 24,787

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2018</u>
Computer hardware and software	\$ 162,531	\$ 162,531	\$ -
Furniture and fixtures	6,522	6,522	-
	\$ 169,053	\$ 169,053	\$ -

During the year, fully amortized assets of \$169,053 were written-off.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

4. Investments

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

		<u>2019</u> <u>Operations</u>		<u>2019</u> <u>Endowment</u>		<u>2019</u> <u>Total</u>		<u>2018</u> <u>Total</u>
Cash and fixed income	\$	250,912	\$	110	\$	251,022	\$	1,983
Canadian money market funds		221,019		13		221,032		194,129
Mutual funds		871,123		631,904		1,503,027		1,439,628
	\$	1,343,054	\$	632,027	\$	1,975,081	\$	1,635,740

Investments held for the Endowment Fund total \$632,027 (2018 - \$595,650) (Note 6). This amount represents the fair value of the investments, which includes an accumulated unrealized gain on the investments held in the Endowment Fund of \$35,895 (2018 - \$25,182), and the portion of investment income not distributed to the operating bank account of \$96,132 (2018 - \$70,470). The investment income and unrealized gain on investments have been recognized in the Statement of Operations as part of Unrestricted Net Assets.

5. Deferred Contributions

Deferred contributions are made up of the following:

Deferred contributions:		<u>2019</u>		<u>2018</u>
- Program Sponsorship	\$	75,172	\$	38,000
- Governors' Dinner		10,000		45,000
- Other		3,148		8,000
	\$	88,320	\$	91,000

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.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

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.

Net investment income of \$29,750 (2018 - \$13,790) and an unrealized gain on the Endowment Fund investments of \$10,714 (2018 - \$18,445) have been recognized in the Statement of Operations, in Investment income, and Unrealized gain on investments, respectively.

7. Investment Income

Investment income is made up of the following:

	<u>2019</u>	<u>2018</u>
Investment income from Operations		
Dividend income	\$ 45,175	\$ 40,632
Interest income	5,123	788
Gain (loss) on sale of investments	811	(19,780)
	<u>51,109</u>	<u>21,640</u>
Investment income from Endowment Fund		
Dividend income	\$ 29,679	\$ 26,976
Gain (loss) on sale of investments	71	(13,186)
	<u>29,750</u>	<u>13,790</u>
Total investment income	<u>\$ 80,859</u>	<u>\$ 35,430</u>

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

8. Internally Restricted Fund

Junior Achievement of Canada (“JACAN”) has a guideline specifying that each Junior Achievement charter shall maintain a minimum of 25%, with a preferred target of 50%, of the current fiscal year’s budgeted operating expenses in a Reserve 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 Reserve 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, their internal Reserve Fund guidelines, and the JACAN guideline.

The total budgeted expenses for fiscal 2019 were \$2,471,014, indicating an upper limit to the Reserve Fund of \$1,235,507. The Corporation’s guidelines have determined a calculated lower limit of \$1,002,670. At June 30, 2019, the Reserve Fund has a balance of \$1,200,000, which is within the established guidelines.

During the year, the Board of Directors approved a transfer of \$300,000 from the Operating Fund to the Reserve Fund.

9. Commitments

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

2020	77,064
2021	78,081
2022	80,116
2023	39,612
	<hr/>
	\$ 274,873

Additionally, the Corporation has engaged a consultant to provide public affairs counsel. The Corporation has agreed to a fee of \$5,000 a month plus HST for the contract period from July 2019 through to the end of December 2019, plus out of pocket expenses.

10. Credit Facility

The Corporation has available an unsecured line of credit facility of \$50,000, of which \$Nil was drawn at June 30, 2019 (2018 - \$Nil). The line of credit when drawn, bears interest at the bank’s prime rate plus 4%.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

11. Related Party Transactions

The Corporation is a separate charter acting under an operating agreement with JACAN. During the year, the Corporation paid \$101,790 (2018 - \$98,202) for charter fees, \$183,749 (2018 - \$178,001) for supplies, services and other expenditures, and \$50,107 (2018 - \$21,640) for account administration fees related to organizations that contribute, and are managed, at a national level. The charter fees and the supplies, services and other expenditures are included in Programs and Materials in the Statement of Operations. The account administration fee is included as a reduction of program designated contributions in the Statement of Operations. All transactions were measured at the exchange amount, and were in the normal course of operations.

Included in accounts payable at June 30, 2019 is \$Nil (2018 - \$13,520) owed to JACAN.

Included in accounts receivable at June 30, 2019 is \$32,228 (2018 - \$7,272) owed from JACAN.

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2019

12. 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 \$5,000 (2018 - \$5,600).

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.