

JENNIFER ASHLEIGH CHILDREN'S CHARITY

FINANCIAL STATEMENTS

FEBRUARY 28, 2022

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Independent Auditor's Report

To the Directors of the Jennifer Ashleigh Children's Charity

Qualified opinion

We have audited the financial statements of the Jennifer Ashleigh Children's Charity (the "Organization"), which comprise the statement of financial position as at February 28, 2022, the statement of operations, statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at February 28, 2022 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, assets and net assets.

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. We have fulfilled our 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 qualified opinion.

Other information

Management is responsible for the other information. The other information comprises of the Annual Report, which is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance 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.

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 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 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 risks 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.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Canada
June 29, 2022

JENNIFER ASHLEIGH CHILDREN'S CHARITY
STATEMENT OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2022

	2022 \$	2021 \$
ASSETS		
CURRENT		
Cash	477,233	215,846
Accounts receivable	2,626	2,000
Marketable securities, at fair market value (Note 3)	842,094	1,145,958
Prepaid expenses	2,408	6,456
HST recoverable	4,109	4,776
	<u>1,328,470</u>	<u>1,375,036</u>
Equipment (Note 4)	<u>3,717</u>	<u>3,717</u>
	<u>1,332,187</u>	<u>1,378,753</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	14,463	16,866
Gifting commitments (Note 8)	<u>270,030</u>	<u>342,158</u>
	284,493	359,024
LOAN PAYABLE (Note 7)	<u>40,000</u>	<u>40,000</u>
	<u>324,493</u>	<u>399,024</u>
NET ASSETS		
Unrestricted	1,003,977	976,012
Invested in equipment	<u>3,717</u>	<u>3,717</u>
	<u>1,007,694</u>	<u>979,729</u>
	<u>1,332,187</u>	<u>1,378,753</u>
COMMITMENTS (Notes 8 and 9)		
CONTINGENCY (Note 11)		

APPROVED ON BEHALF OF THE BOARD:

Kelly Carrick, President

Steve Ralph, Treasurer

JENNIFER ASHLEIGH CHILDREN'S CHARITY
STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED FEBRUARY 28, 2022

	2022 \$	2021 \$
REVENUES		
Donations (Note 10)	1,028,305	1,158,924
Auction	110,315	206,117
Directors' club	149,723	102,599
Third party fundraisers	51,484	21,559
Auction - in kind donations	64,474	68,188
Merchandise sold	30	-
Investment income	<u>11,965</u>	<u>17,945</u>
	<u>1,416,296</u>	<u>1,575,332</u>
EXPENDITURES (Note 6)		
Gifts and other support (Note 8)	1,112,406	803,428
Fundraising activities	210,540	195,306
Administration (Note 7)	62,322	65,566
Auction	8,068	34,016
Auction - in kind expenses	64,474	68,188
Third party fundraisers	<u>573</u>	<u>-</u>
	<u>1,458,383</u>	<u>1,166,504</u>
Excess of (expenditures over revenues) revenues over expenses before the undernoted	<u>(42,087)</u>	<u>408,828</u>
Other income (expenses)		
Unrealized gain (loss) on marketable securities	70,052	(10,377)
Forgivable portion of loan payable (Note 7)	<u>-</u>	<u>20,000</u>
	<u>70,052</u>	<u>9,623</u>
Net excess of revenues over expenditures for the year	<u><u>27,965</u></u>	<u><u>418,451</u></u>

JENNIFER ASHLEIGH CHILDREN'S CHARITY
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED FEBRUARY 28, 2022

	Unrestricted \$	Invested in Equipment \$	Total \$
Balance, February 29, 2020	557,561	3,717	561,278
Excess of revenue over expenditures	<u>418,451</u>	<u>-</u>	<u>418,451</u>
Balance, February 28, 2021	976,012	3,717	979,729
Excess of revenue over expenditures	<u>27,965</u>	<u>-</u>	<u>27,965</u>
Balance, February 28, 2022	<u><u>1,003,977</u></u>	<u><u>3,717</u></u>	<u><u>1,007,694</u></u>

JENNIFER ASHLEIGH CHILDREN'S CHARITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED FEBRUARY 28, 2022

	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net excess of revenues over expenditures for the year	27,965	418,451
Adjustment for items not affecting cash:		
Unrealized (gain) loss on marketable securities	(70,052)	10,377
Forgivable portion of loan payable	-	(20,000)
Non-cash donations	(49,422)	(24,023)
Changes in non-cash working capital:		
Accounts receivable	(626)	1,000
Prepaid expenses	4,049	12,335
HST recoverable	668	1,461
Accounts payable and accrued liabilities	(2,403)	2,938
Gifting commitments	(72,129)	64,201
Cash flows from operating activities	<u>(161,950)</u>	<u>466,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(418,510)	(835,886)
Proceeds from sale of marketable securities	<u>841,847</u>	<u>250,406</u>
Cash flows (used in) investing activities	<u>423,337</u>	<u>(585,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from loan payable	<u>-</u>	<u>60,000</u>
Change in cash during the year	261,387	(58,740)
CASH, beginning of year	<u>215,846</u>	<u>274,586</u>
CASH, end of year	<u><u>477,233</u></u>	<u><u>215,846</u></u>

1. PURPOSE OF THE ORGANIZATION

Jennifer Ashleigh Children's Charity ("the Organization") was incorporated on March 16, 1990 without share capital under the Province of Ontario. The Organization operates as a Registered Charity providing assistance to chronically and seriously ill children and their families.

The Organization is a Registered Charity registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a Registered Charity registered under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The accounting policies of the Organization set out below were consistently applied to all periods presented unless otherwise noted below. Outlined below are those policies considered particularly significant.

Revenue Recognition:

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Funds received in advance of incurring the related expenses are recorded as deferred 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.

Investment income is recognized as earned.

Use of Estimates:

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 amounts of assets, liabilities and net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the year. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Allocation of Expenditures:

The Organization engages in fundraising and gifting activities and the costs of these programs include the costs of personnel and a number of administrative expenses that are common to the administration of the organization. The Organization allocates salaries and benefits across fundraising, administration and gifting expenses based on the proportionate amount of staff time spent on each activity. Administrative expenses are allocated across fundraising, administration and gifting expenses in a manner consistent with management's estimate of consumption. Management ensures that the basis for allocation of expenditures is applied consistently from year to year, and regularly reviews its estimates of consumption and staff time allocation to ensure that the resulting allocations fairly represent the manner in which expenditures are absorbed across the Organization. See Note 6 for additional detail.

Equipment:

Contributed equipment is stated at its estimated fair value at the date of contribution. Purchased equipment is stated at cost. Amortization is provided using the following estimated useful lives of the equipment on a declining balance basis:

Computer Equipment	2 years
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments:

Financial instruments are recorded at fair value on initial recognition. Subsequently financial instruments are measured as follows:

Financial instruments that are quoted in an active market are subsequently measured at fair value. The Organization's marketable securities consist of fixed income investments, equities and mutual funds. These are carried at fair value on the statement of financial position with changes in fair value recognized in operations.

All other financial assets and financial liabilities are measured at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, gifting commitments and loan payable.

The carrying value of the Organization's financial instruments approximate their fair values due to the short-term nature of these financial instruments.

Impairment of Financial Instruments:

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of improvement, directly or adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Contributed Material and Services:

Contributions and donations made in kind are recorded at their estimated fair market value. Revenue related to in-kind contributions for the year ended February 28, 2022 totaled \$64,474 (2021 – \$68,188). Expenses related to in-kind contributions for the year ended February 28, 2022 totaled \$64,474 (2021 - \$68,188).

The Organization is dependent upon the ongoing support of volunteers, the value of which has not been quantified in these financial statements, due to the difficulty of determining the fair value of these contributed services.

Government Assistance

Government assistance includes grants, loans and subsidies received from the government. Government grants are not recognized until there is reasonable assurance that the Organization will comply with the conditions attached to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government assistance for non-capital expenditures are recognized in the statement of operations as a reduction of the related expenses for which they are intended to compensate, in the period in which those expenses are incurred. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized in the statement of operations in the period in which they become receivable.

Forgivable loans are accounted for in the same way as a grant whereby the receipt of a forgivable loan is recorded either as a reduction of a non-current asset or as a reduction of expenses. The liability to repay a forgivable loan is recorded in the period in which conditions arise that will cause the loan to become repayable.

3. MARKETABLE SECURITIES

Marketable securities had the following market values:

	<u>2022</u>	<u>2021</u>
	\$	\$
Interest bearing and fixed income	452,787	859,380
Equities	333,551	236,510
Mutual funds	<u>55,756</u>	<u>50,068</u>
	<u>842,094</u>	<u>1,145,958</u>

4. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2022</u>	<u>Net 2021</u>
Computer equipment	<u>9,853</u>	<u>6,136</u>	<u>3,717</u>	<u>3,717</u>

5. INCOME TAXES

The Organization is a Registered Charity entity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

6. ALLOCATION OF EXPENSES

The Organization classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

General support expenses

Human resources expenses of \$241,882 (2021 - \$218,925) have been allocated as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Administration	42,983	44,908
Fundraising activities	140,518	128,838
Gifts and other support	<u>58,381</u>	<u>45,179</u>
	<u>241,882</u>	<u>218,925</u>

Administration expenses

Administration expenses of \$108,828 (2021 - \$99,744) have been allocated as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Administration	19,339	20,460
Fundraising activities	63,222	58,700
Gifts and other support	<u>26,267</u>	<u>20,584</u>
	<u>108,828</u>	<u>99,744</u>

7. GOVERNMENT ASSISTANCE

Canada Emergency Wage Subsidy ("CEWS")

The Organization is eligible to receive the CEWS related to salaries and benefits paid. The Organization believes it has complied with all relevant requirements and accordingly has recorded the subsidy as a reduction of total salaries and benefits expense.

During the year ended February 28, 2022, the Organization applied for a total of \$60,336 (2021 - \$86,789) in relation to the CEWS.

Canada Emergency Business Account ("CEBA") Loan

The Organization applied for and received the \$60,000 CEBA loan in the 2021 fiscal year. The CEBA government program provides interest-free loans of up to \$60,000 to small businesses to help cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the Novel Coronavirus ("COVID-19"). Repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of 33% (up to \$20,000). If not repaid, it would convert into a term loan bearing interest at 5% and maturing December 31, 2025 and the Organization will be required to repay the forgivable portion of \$20,000. Management has assessed that it is likely the Organization will be able to repay the principal of the loan by December 31, 2023 and accordingly, the total forgivable amount of \$20,000 was recorded as income at February 28, 2021.

A continuity of the loan payable is as follows:

	2022 \$	2021 \$
Opening balance	40,000	-
Advance of loan principal	-	60,000
Forgivable portion of loan	-	(20,000)
Ending balance	40,000	40,000
Less: current portion	-	-
Non-current portion	40,000	40,000

8. GIFTING COMMITMENTS

The Organization provides assistance to chronically and seriously ill children and their families. Management of the Organization approves applications for grants based on certain criteria. Once approved, the grantee has twelve months to request payments for amounts up to the approved grant total. If the request is not received within the twelve-month period, the grant expires and the applicant is required to reapply. As at February 28, 2022, there were approved grants outstanding totaling \$270,030 (2021 - \$342,158). The total amount of the approved grants for each year has been added to the expenditures for that particular year. In addition, the Organization provides respite for caregivers and their families through events that are organized by the Organization. The total cost of organizing such events is added to the current expenditures for the year in which the costs are incurred.

9. COMMITMENTS

The Organization has the following commitments as at February 28, 2022:

A five-year lease agreement for a photocopier. Committed annual payments for these are as follows:

2023	1,700
2024	1,700
2025	1,700
2026	1,700
2027	<u>1,700</u>
	<u>8,500</u>

10. RELATED PARTY TRANSACTIONS

During 2022, the Company received approximately \$3,662 (2021 - \$5,200) of donations from members of management, \$108,700 (2021 - \$110,930) of donations from directors of the Organization, and \$27,000 (2021 - \$35,500) of donations from corporations controlled by members of management or the board of directors.

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

11. CONTINGENCY

On March 11, 2020, the World Health Organization declared a global pandemic (the "pandemic") as a result of the spread of COVID-19. Since that time, the pandemic has severely impacted local economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of COVID-19, including travel bans, quarantines, physical distancing, and closures of nonessential services have triggered significant disruptions to organizations worldwide, resulting in a widespread economic slowdown. Governments and central banks have responded with monetary and fiscal interventions in an attempt to stabilize economic conditions.

The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Organization continues to monitor eligibility for future government assistance. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of the Organization for future periods.

12. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations as at February 28, 2022.

Credit Risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Organization's credit risk is primarily attributable to cash, accounts receivable and marketable securities. The Organization's cash and marketable securities are held with reputable financial institutions. The credit risk on accounts receivable is managed by the Organization's overall credit risk management policies which includes monitoring exposures, limited transactions with specific counterparties and assessing the creditworthiness of counterparties. Management believes its credit risk with respect to its financial instruments is low.

Liquidity Risk:

Liquidity risk is the risk of being unable to meet a demand for cash obligations as they come due. As at February 28, 2021, the Organization had current assets of \$1,328,470 (2021 – \$1,375,036) to settle current liabilities of \$284,493 (2021 – \$359,024). The Organization regularly evaluates its position to ensure preservation and security of capital as well as maintenance of liquidity.

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization has minimal interest rate risk as its interest-bearing investments consisting of guaranteed investment certificates and fixed income bonds with fixed interest rates.

Price risk

The Organization is exposed to price risk with respect to equity prices on its marketable securities. Equity price risk is defined as the potential adverse impact on the Organization's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Organization measures these investments at their estimated fair values and the price relativity is reflected in the statement of operations.