

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

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

JUNE 30, 2013

JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO
June 30, 2013

Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12



DAURIO & FRANKLIN LLP
CHARTERED ACCOUNTANTS
220 DUNCAN MILL ROAD, SUITE 513, TORONTO, ONTARIO, M3B 3J5
TEL: (416) 444-3906, FAX: (416) 447-9798

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, 2013, June 30, 2012, and July 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, 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, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Daurio & Franklin LLP


Chartered Accountants, Licensed Public Accountants
September 12, 2013
Toronto, Ontario




Junior Achievement of Central Ontario
Statement of Financial Position
As at June 30, 2013

	Note	2013	2012	July 1 2011
ASSETS				
Current				
Cash	\$	72,329	\$ 345,073	\$ 163,212
Accounts Receivable		272,365	225,652	214,073
Prepaid Expenses		69,774	44,907	65,903
		414,468	615,632	443,188
Capital Assets				
Investments	[4]	51,378	50,004	13,595
	[5]	1,382,511	873,116	852,175
		1,433,889	923,120	865,770
TOTAL ASSETS		1,848,357	1,538,752	1,308,958
LIABILITIES AND NET ASSETS				
Current				
Accounts Payable and Accrued Liabilities		85,688	160,869	134,097
Deferred Revenue	[6]	62,430	96,394	99,213
Total Liabilities		148,118	257,263	233,310
Net Assets				
Unrestricted Net Assets		300,239	381,489	175,648
Endowment Fund	[7]	500,000	-	-
Internally Restricted	[8]	900,000	900,000	900,000
		1,700,239	1,281,489	1,075,648
TOTAL LIABILITIES AND NET ASSETS	\$	1,848,357	\$	1,538,752
			\$	1,308,958

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, 2013

	2013	2012
Revenue		
Program designated contributions	\$ 1,353,252	\$ 1,543,636
Donations and other contributions	200,745	62,727
Special events	661,807	677,713
Interest and other income	18,132	18,087
	2,233,936	2,302,163
Expenses		
Program and materials	952,802	1,008,819
Special events	253,165	203,935
Resource development personnel	210,363	182,617
Administrative personnel	385,148	400,545
Office and general	163,786	139,713
Leadership gifts campaign	140,557	25,725
Facilities	161,166	122,020
Amortization of capital assets	36,626	15,680
	2,303,613	2,099,054
Excess (Deficiency) of Revenues over Expenses Before the Undernoted Item	(69,677)	203,109
Unrealized gain (loss) on investments	(11,573)	2,732
Excess (Deficiency) of Revenues over Expenses	\$ (81,250)	\$ 205,841

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, 2013

	Unrestricted Net Assets	Internally Restricted	Endowment Fund	2013	2012
Net Assets, Beginning of the Year	\$ 381,489	\$ 900,000	\$ -	\$ 1,281,489	\$ 1,075,648
Excess (Deficiency) of Revenues over Expenses	(81,250)	-	-	(81,250)	205,841
Endowment Fund Contributions	-	-	500,000	500,000	-
Net Assets, End of the Year	\$ 300,239	\$ 900,000	\$ 500,000	\$ 1,700,239	\$ 1,281,489

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, 2013

	2013	2012
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Cash (Used in) Provided by Operating Activities		
Excess (Deficiency) of Revenues over Expenses	\$ (81,250)	\$ 205,841
Items Not Involving Cash:		
Amortization	36,626	15,680
Acquisition of Capital Assets, Gifted	(16,418)	-
Unrealized (Gain) Loss on Investments	11,573	(2,732)
Changes in:		
Accounts Receivable	(46,713)	(11,579)
Prepaid Expenses	(24,867)	20,995
Accounts Payable and Accrued Liabilities	(75,179)	26,774
Deferred Revenue	(33,964)	(2,818)
Net Cash Provided (Used) by Operating Activities	(230,192)	252,161
Cash Flows from Financing Activities		
Endowment Contributions Received	500,000	-
Cash Flows from Investing Activities		
Investments, Net	(520,968)	(18,210)
Acquisition of Capital Assets	(21,584)	(52,090)
Net Cash Used by Investing Activities	(542,552)	(70,300)
Net (Decrease) Increase in Cash	(272,744)	181,861
Cash, Beginning of the Year	345,073	163,212
Cash, End of the Year	\$ 72,329	\$ 345,073

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



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2013

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, as described in Note 7.

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.

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. 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 the Financial Statements

June 30, 2013

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, and the carrying amount of capital assets. 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, 2013

3. Impact of the Change in the Basis of Accounting

The Corporation has elected to apply the standards in Part III of the CICA Accounting Handbook for Not-For-Profit organizations in accordance with Canadian generally accepted accounting principles. These financial statements are the first financial statements for which the Corporation has applied Canadian generally accepted accounting principles for Not-For-Profit Organizations, hereafter referred to as Canadian Accounting Standards for Not-For-Profit Organizations ("ASFNPO's").

The accounting policies set out in the above significant accounting policy note have been applied in preparing these financial statements for the year ended June 30, 2013, the comparative information presented in these financial statements for the year ended June 30, 2012, and in the preparation of an opening ASFNPO's statement of financial position at July 01, 2011 (the company's date of transition).

In accordance with transitional provisions of Accounting Standards for Not-for-Profit Organizations, the Corporation has elected to measure all of its investments at fair value.

As a result of the transition to ASFNPO, the Corporation recorded the following adjustments to Excess of Revenues over Expenses for the year ended June 30, 2012:

As previously reported under Canadian generally accepted accounting principles, June 30, 2012	\$	203,109
Net unrealized gain on investments previously recorded in the Statement of Changes in Net Assets		2,732
<hr/>		
Restated for the year ended June 30, 2012	\$	205,841

This change has carried through to the Statement of Cash Flows, as the excess of revenues over expenses differs as noted above, and the unrealized gain on investments becomes an adjustment in the Statement of Cash Flows as an item not involving cash.

There are no changes to the opening or closing balance of the Statement of Changes in Net Assets, as the above-noted adjustment flows through the Statement of Changes in Net Assets in the Excess of Revenues over Expenses, rather than as its own line item in the Statement of Changes in Net Assets.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2013

4. Capital Assets

Capital assets comprises the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2013</u>
Computer hardware and software	\$ 153,649	\$ 104,404	\$ 49,245
Furniture and fixtures	4,700	2,567	2,133
	\$ 158,349	\$ 106,971	\$ 51,378

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2012</u>
Computer hardware and software	\$ 116,884	\$ 69,064	\$ 47,820
Furniture and fixtures	3,466	1,282	2,184
	\$ 120,350	\$ 140,692	\$ 50,004

5. Investments

Investments are made up of the following:

	<u>2013 Fair Value</u>		<u>2012 Fair Value</u>
Cash	\$ 43,326	\$	10,749
Fixed income	445,142		149,099
Canadian money market funds	582,279		575,772
Equities	311,764		137,496
	\$ 1,382,511	\$	873,116

Investments held for the Endowment Fund total \$492,460 (2012 - \$Nil) (Note 8).



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2013

6. Deferred Revenue

Deferred revenue is made up of the following:

Deferred contributions:		<u>2013</u>		<u>2012</u>
- Governors' Dinner	\$	30,000	\$	35,500
- Program Sponsorship		19,361		40,250
- Other		8,152		12,765
Restricted contributions		4,917		7,879
	\$	<u>62,430</u>	\$	<u>96,394</u>

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

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

7. 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 the year, 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 programs, for the benefit of grades 3 to 12 students attending school in the region covered by the Corporation's charter.

This contribution was not included in revenue in the Statement of Operations, but has been added directly to the Endowment Fund in the Statement of Changes in Net Assets. Investment income of \$2,658 and an unrealized loss on the investments of \$10,198 have been recognized in the Statement of Operations.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2013

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 2012, the Corporation's operating expenses, less amortization and special events expenses, totaled \$1,879,000 (2011 - \$1,728,000), resulting in an indicated Contingency Fund balance at June 30, 2013 of \$940,000 (2012 - \$864,000) under the JACAN guideline. At June 30, 2013, the Contingency Fund balance was \$900,000 (2012 - \$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.

9. Lease Commitments

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

2014	\$	76,577
2015		78,612
2016		80,646
2017		82,681
2018		41,849
	\$	<u>360,365</u>

10. Contributions of Services and Materials

During the fiscal year ended June 30, 2013, the Unrestricted Net Assets recorded revenues amounting to \$27,818 (2012 - \$11,107) from contributed services and materials. Contributions of capital assets amounted to \$16,418 in 2013 (2012 - \$Nil) as certain corporate sponsors provided contributions of computer equipment in lieu of cash contributions.



JUNIOR ACHIEVEMENT OF CENTRAL ONTARIO

Notes to the Financial Statements

June 30, 2013

11. Related Party Transactions

The Corporation is a separate charter acting under an operating agreement with JACAN. During the year, the Corporation paid \$122,621 (2012 - \$115,591) for supplies, services and charter fees. Included in accounts payable at June 30, 2013 is \$Nil (2012 - \$Nil) owed to JACAN, and \$Nil (2012 - \$4,500) owed to other Junior Achievement charters.

Included in accounts receivable at June 30, 2013 is \$78,611 (2012 - \$46,500) owed from JACAN.

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 \$15,000.

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.

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

13. Comparative Figures

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

