



Financial Statements

Junior Achievement of Canada

June 30, 2018

Contents

	Page
Independent auditor's report	1 - 2
Statement of operations	3
Statement of changes in fund balances	4
Statement of financial position	5
Statement of cash flows	6
Notes to the financial statements	7 - 13

Independent Auditor's Report

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To the Members of
JA Canada

We have audited the accompanying financial statements of **Junior Achievement of Canada (“JA Canada”)**, which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in fund balances 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 **JA Canada** as at June 30, 2018, and its financial performance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Canada
November 14, 2018

Chartered Professional Accountants
Licensed Public Accountants

JA Canada

Statement of operations

Year ended June 30, 2018

	Operating Fund	Capital Asset Fund	Restricted Fund	2018 Total	2017 Total
Revenue					
Contributions	\$ 269,106	\$ 194,576	\$ 140,332	\$ 604,014	\$ 1,006,573
Program direct	636,791	-	1,051,748	1,688,539	1,600,445
Events	1,338,657	-	-	1,338,657	1,425,094
Charter license fees	569,728	-	-	569,728	479,621
	<u>2,814,282</u>	<u>194,576</u>	<u>1,192,080</u>	<u>4,200,938</u>	<u>4,511,733</u>
Expenses					
Program direct	975,936	-	1,175,216	2,151,152	2,150,287
Resource development	474,966	-	-	474,966	473,717
Marketing and events	542,256	-	-	542,256	665,259
General and administration	690,808	-	-	690,808	950,386
Depreciation	-	214,053	-	214,053	264,593
Bad debts	2,896	-	-	2,896	41,598
Foreign exchange loss (gain)	(967)	-	-	(967)	(2,195)
	<u>2,685,895</u>	<u>214,053</u>	<u>1,175,216</u>	<u>4,075,164</u>	<u>4,543,645</u>
Excess (deficiency) of revenue over expenses	\$ <u>128,387</u>	\$ <u>(19,477)</u>	\$ <u>16,864</u>	\$ <u>125,774</u>	\$ <u>(31,912)</u>

See accompanying notes to the financial statements.

JA Canada

Statement of changes in fund balances

Year ended June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2018 Total	2017 Total
Fund balances, beginning of the year	\$ 875,915	\$ 187,531	\$ 508,272	\$ 1,571,718	\$ 1,603,630
Excess (deficiency) of revenue over expenses	128,387	(19,477)	16,864	125,774	(31,912)
Inter fund transfers	32,532	(20,000)	(12,532)	-	-
Capital assets purchased	<u>(5,116)</u>	<u>5,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>1,031,718</u>	\$ <u>153,170</u>	\$ <u>512,604</u>	\$ <u>1,697,492</u>	\$ <u>1,571,718</u>

See accompanying notes to the financial statements.

JA Canada

Statement of financial position

June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2018 Total	2017 Total
Assets					
Current					
Cash and cash equivalents	\$ 781,669	\$ -	\$ 494,820	\$ 1,276,489	\$ 518,127
Receivables					
Affiliated organizations	146,388	-	-	146,388	100,964
JACF (Note 4)	-	-	-	-	480,668
Other	214,389	-	-	214,389	267,022
Inventory	224,914	-	-	224,914	130,945
Prepays	173,180	-	-	173,180	143,099
	1,540,540	-	494,820	2,035,360	1,640,825
Investments in preferred shares (Note 3)	-	-	-	-	153,734
Investment in common shares (Note 3)	-	-	17,784	17,784	16,664
Capital assets (Note 5)	-	618,848	-	618,848	827,785
	\$ 1,540,540	\$ 618,848	\$ 512,604	\$ 2,671,992	\$ 2,639,008
Liabilities					
Current					
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 78,992
Payable and accruals	399,205	-	-	399,205	170,968
Deferred revenue	109,617	-	-	109,617	157,076
	508,822	-	-	508,822	407,036
Long-term					
Deferred capital contributions (note 6)	-	465,678	-	465,678	660,254
	508,822	465,678	-	974,500	1,067,290
Fund balances					
Invested in capital assets	-	153,170	-	153,170	187,531
Externally restricted	-	-	280,958	280,958	508,272
Internally restricted	-	-	231,646	231,646	-
Unrestricted	1,031,718	-	-	1,031,718	875,915
	1,031,718	153,170	512,604	1,697,492	1,571,718
	\$ 1,540,540	\$ 618,848	\$ 512,604	\$ 2,671,992	\$ 2,639,008

Commitments (Note 7)

Line of credit (Note 8)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

JA Canada

Statement of cash flows

Year ended June 30

	Operating Fund	Capital Asset Fund	Restricted Fund (Note 2)	2018 Total	2017 Total
Increase (decrease) in cash and cash equivalents					
Operating activities					
Excess (deficiency) of revenue over expenses	\$ 128,387	\$ (19,477)	\$ 16,864	\$ 125,774	\$ (31,912)
Depreciation of capital assets	-	214,053	-	214,053	264,593
Net change in non-cash working capital (Note 9)	<u>590,498</u>	<u>(169,460)</u>	<u>(150,000)</u>	<u>271,038</u>	<u>(960,009)</u>
	<u>718,885</u>	<u>25,116</u>	<u>(133,136)</u>	<u>610,865</u>	<u>(727,328)</u>
Investing activities					
Purchase of capital assets	-	(5,116)	-	(5,116)	(90,506)
Disposition of (purchase of) investments	-	-	152,613	152,613	(2,586)
	-	<u>(5,116)</u>	<u>152,613</u>	<u>147,497</u>	<u>(93,092)</u>
Financing activity					
Bank overdraft	-	-	-	-	78,992
	-	-	-	-	<u>78,992</u>
Net increase (decrease) in cash and cash equivalents	718,885	20,000	19,477	758,362	(1,055,080)
Cash and cash equivalents, beginning of year	30,252	-	487,875	518,127	1,573,207
Inter fund transfers	<u>32,532</u>	<u>(20,000)</u>	<u>(12,532)</u>	-	-
Cash and cash equivalents, end of year	\$ <u>781,669</u>	\$ -	\$ 494,820	\$ <u>1,276,489</u>	\$ <u>518,127</u>

See accompanying notes to the financial statements.

JA Canada

Notes to the financial statements

June 30, 2018

1. The organization

JA Canada ("JA") is a non-profit organization incorporated without share capital under the Canada Corporations Act. JA's purpose is to provide practical economic and business education programs and experience for young people by working with the business and education communities. Delivery of the programs is provided by Charter licensed organizations and Program Delivery Affiliates. JA maintains an operating agreement with each of its Canadian Chartered Organization affiliates from which it charges annual license fees of \$569,728 (2017 - \$479,621). In addition, JA has a licensing agreement with its U.S. affiliate, Junior Achievement Worldwide, to which it paid an annual licensing fee of \$160,194 (2017 - \$165,715).

The financial results of the Canadian Chartered Organizations are not included in these financial statements. As JA is a registered charitable organization, it is exempt from income tax and may issue charitable donation receipts for income tax purposes.

2. Summary of significant accounting policies

Basis of presentation

Management of JA has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

These financial statements include the accounts of JA only. They do not include assets, liabilities or activities of any of the Canadian Chartered Organizations.

Fund accounting

JA follows the deferral method of accounting for contributions.

Fund balances

JA's financial statements have been prepared in a manner which segregates the fund balances as follows:

The **Operating Fund** consists of a set of accounts which report all day-to-day activities and in the current year all the revenues and expenses associated with the Gala.

The **Restricted Fund** consists of a set of accounts which report contributions from external sources restricted for use relating primarily to strategic initiatives of JA, the development of new programs, the renewal of programs and for donor specified program delivery support, and reports endowment contributions and related investment income. An endowment contribution stipulates that the resources contributed be permanently maintained. The endowment has two specific purposes. The first fund was established in 1987.

JA Canada

Notes to the financial statements

June 30, 2018

2. Summary of significant accounting policies (continued)

Income from this fund may only be used for research and development activities of JA. The second fund was established in 1996. Income from this fund may only be used for scholarships. Donations for endowment purposes are placed in a segregated account and can be invested in common and preferred shares, mutual funds or money market funds. Income from the donated funds are recorded by JA separately from the contributed donations.

The Restricted and Special Purpose Fund and Endowment Fund amalgamated on July 1, 2018 and was applied retrospectively for the year ended June 30, 2017.

The **Restricted and Special Purpose Fund** and **Endowment Fund** have amalgamated as follows:

	<u>Previously Reported</u>	<u>Amalgamation adjustment</u>	<u>As Reported</u>
Restricted Fund	\$ -	\$ 528,272	\$ 528,272
Restricted and Special Purpose Fund	20,000	(20,000)	-
Endowment Fund	<u>508,272</u>	<u>(508,272)</u>	<u>-</u>
	<u>\$ 528,272</u>	<u>\$ -</u>	<u>\$ 528,272</u>

The **Capital Asset Fund** reports the assets, liabilities, revenues and expenses relating to JA's capital assets.

Financial instruments

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, JA measures its financial assets and liabilities at cost or amortized cost less impairment in the case of financial assets except for investment in preferred shares and common shares which are measured at fair value. All changes in fair value are reflected in the statement of operations. JA used the effective interest rate method to amortize any premiums, transaction costs and financing fees in the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, term deposits, receivables, payables and bank overdraft.

For financial assets measured at cost or amortized cost, JA regularly assesses whether there are any indications of impairment. If there is an indication of impairment and JA determines there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals are previously recognized impairment losses are recognized in operations in the year the reversal occurs.

JA Canada

Notes to the financial statements

June 30, 2018

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost less amortization and impairment. Third party and internal allocated costs are capitalized under internally developed software in connection with the development of the Online Volunteer School project, including associated digital intangible assets.

All capital assets are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Computer hardware	- 3 years
Computer software	- 3 years
Furniture	- 5 years
Office equipment	- 5 years
Leasehold improvements	- 5 years
Internally developed software	- 5 years

When a capital asset no longer has any long-term service potential to JA, the differential of its net carrying amount and any residual value, is recognized as a gain or loss, as appropriate, in the statements of operations.

Investments

The Endowment contributions are invested in common and preferred shares, mutual funds or money market funds and are recorded at fair market value with changes in fair value reported in the statement of operations.

Contributions

Unrestricted contributions received for the purpose of capital assets are recorded as deferred capital contributions related to capital assets and are amortized on the same basis as the related capital assets.

Revenue recognition

JA follows the deferral method of accounting for contributions.

Donated services or assets are recognized when a fair value can be reasonably estimated and when the services or assets normally would have been acquired if not donated. Advance billings include amounts received in respect of events taking place in the following fiscal year. Unrestricted contributions are recognized as revenue in the year the funds are received or receivable if the amounts to be received can be reasonably estimated. Donor restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related capital asset. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

JA Canada

Notes to the financial statements

June 30, 2018

2. Summary of significant accounting policies (continued)

Endowment income

Endowment income is recorded annually in a separate account to offset research and development costs in the Operating fund and scholarship awards in the Restricted fund. The amount cannot exceed actual research and development costs incurred or scholarships awarded during the year otherwise it is recorded for future use for these purposes.

Cash and cash equivalents

JA considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

Use of estimates

Management reviews the carrying amounts of items in the financial statement in each balance sheet date for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to the Statement of Operations as appropriate in the year they become known.

Items subject to significant management estimates include inventory obsolescence, allowance for doubtful accounts and amortization of capital assets and its estimate of useful lives.

Volunteer services

JA benefits substantially from services in the form of volunteer time. These invaluable services are not recorded in these financial statements due to the difficulty in determining their fair value.

Deferred revenue

Revenue is deferred for unspent program funding.

3. Investments

At the year end June 30, 2018, the fair market value of the preferred shares was \$Nil (2017 - \$153,734). These preferred shares were redeemed by the issuer.

At the year end June 30, 2018, the fair market value of the common shares was \$17,784 (2017 - \$16,664) the original purchase price of these shares amounted to \$18,382 (2016 - \$18,382).

JA Canada

Notes to the financial statements

June 30, 2018

4. Related party transactions

Junior Achievement of Canada Foundation ("JACF") was established to raise funds for Junior Achievement, including for JA. JA and JACF are related by virtue of the fact that they share some of the same common management and board members. In the current fiscal year, JACF did not have any operations and was in the process of being wound down. All activities previously undertaken by JACF now take place within the operations of JA.

In 2017, JACF made contributions of \$1,442,407 of which \$1,442,407 was included in the Operating Fund.

5. Capital assets

			2018 Net Book Value	2017 Net Book Value
	Cost	Accumulated Depreciation		
Computer – hardware	\$ 104,637	\$ 101,636	\$ 3,001	\$ 1,939
Computer – software	337,476	324,958	12,518	18,777
Furniture	48,717	44,468	4,249	7,172
Equipment	4,420	3,566	854	499
Internally developed software (a)	968,156	369,930	598,226	797,635
Leasehold improvements	<u>3,799</u>	<u>3,799</u>	<u>-</u>	<u>1,763</u>
	\$ <u>1,467,205</u>	\$ <u>848,357</u>	\$ <u>618,848</u>	\$ <u>827,785</u>

- (a) Included in internally developed software are the contributions received in prior years for the Online Volunteer School project of \$711,282. The computer platform was completed during the 2017 year and is being amortized accordingly with the related deferred contributions recognized as revenue.
-

6. Deferred capital contributions

Deferred capital contributions related to capital assets represents the unamortized amount of funds received for the purchase/development of capital assets.

7. Commitments

- (i) JA leases office facilities and equipment under operating lease agreements. As at June 30, 2018 the future minimum annual lease commitment remaining under these leases is as follows:

2019	\$ 20,505
2020	<u>1,460</u>
	\$ <u>21,965</u>

JA Canada

Notes to the financial statements

June 30, 2018

8. Line of credit

JA has available an operating line of credit to the maximum of \$300,000 at prime plus 0.5% and is unsecured. At year end June 30, 2018, the maximum facility remains available.

9. Change in non-cash operating working capital

	Operating Fund	Capital Asset Fund	Restricted Fund	2018	<u>2017</u>
Receivables from affiliated Organizations and JACF	\$ 435,244	\$ -	-	\$ 435,244	\$ (120,846)
Other receivables	52,633	-	-	52,633	(115,660)
Prepays	(30,081)	-	-	(30,081)	(21,735)
Payables and accruals	124,129	-	-	124,129	(164,581)
Inventory	(93,968)	-	-	(93,968)	(50,392)
Deferred revenue	102,541	-	(150,000)	(47,459)	(284,919)
Deferred capital contributions	-	(169,460)	-	(169,460)	(201,876)
	<u>\$ 590,498</u>	<u>\$ (169,460)</u>	<u>\$ (150,000)</u>	<u>\$ 271,038</u>	<u>\$ (960,009)</u>

10. Capital

JA's main objective when managing capital is to safeguard its ability to operate as a going concern, so that it can continue to provide services and benefits to its Charters, as well as meet donor obligations and any third party service commitments.

The capital structure of JA consists of cash and cash equivalents and net assets comprised of accumulated fund balances in operating funds, capital asset funds, endowment funds and special purpose funds as described in Note 2. JA manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. JA is not subject to any externally imposed capital requirements; however, endowment contributions, some grants, and donations have conditions setting out the activities or other expenditures for which the funds may be used.

11. Financial instrument risk

JA's main financial instrument risk exposure is detailed as follows:

Credit risk

JA has determined that the financial assets with credit risk exposure are receivables since failure from any of these parties to fulfill their obligations would result in significant financial losses for JA.

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. JA is exposed to interest rate risk in respect to investments in term deposits.

JA Canada

Notes to the financial statements

June 30, 2018

11. Financial instrument risk (continued)

JA's main financial instrument risk exposure is detailed as follows (continued):

Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. Liquidity risk is managed by ensuring the investment manager invests in high quality investments easily disposed of in an active market.

Other price risk

JA is exposed to other price risk on its investment in common shares since changes in market prices could result in changes in the fair value of the instruments.

12. Comparative figures

Certain comparative figures have been adjusted to conform to the current year presentation.