



Financial Statements

JA Canada

June 30, 2017

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Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949
E Toronto@ca.gt.com
www.GrantThornton.ca

To the Members of
JA Canada

We have audited the accompanying financial statements of **JA Canada**, which comprise the statement of financial position as at June 30, 2017, 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, 2017, and its financial performance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Canada
October 10, 2017

Chartered Professional Accountants
Licensed Public Accountants

JA Canada

Statement of operations

Year ended June 30, 2017

	Operating Fund	Restricted and Special Purpose Fund	Capital Asset Fund	Endowment Fund	2017 Total	2016 Total
Revenue						
Contributions	\$ 1,926,963	\$ 175,407	\$ 155,234	\$ -	\$ 2,257,604	\$ 1,746,356
Grants – other	-	1,009,176	-	-	1,009,176	601,848
Marketplace income	591,269	-	-	-	591,269	-
Charter license fees	479,621	-	-	-	479,621	468,772
Next Generation Forum	162,832	-	-	-	162,832	93,944
Miscellaneous and interest income	881	-	-	10,350	11,231	33,081
	<u>3,161,566</u>	<u>1,184,583</u>	<u>155,234</u>	<u>10,350</u>	<u>4,511,733</u>	<u>2,944,001</u>
Expenses						
Salaries and benefits	1,169,847	128,766	-	-	1,298,613	1,355,466
Charter program delivery	-	1,017,473	-	-	1,017,473	629,369
CBHF Gala	509,946	-	-	-	509,946	473,988
Marketplace expenses	425,969	-	-	-	425,969	-
Depreciation	-	-	264,593	-	264,593	81,914
Facilities and administration	199,536	-	-	-	199,536	201,454
License fee	165,715	-	-	-	165,715	172,986
Technology	160,434	-	-	-	160,434	196,251
Next Generation Forum	95,519	-	-	-	95,519	126,014
Travel	86,952	-	-	-	86,952	36,130
Professional fees	79,595	-	-	-	79,595	16,947
Conferences and training	49,321	-	-	-	49,321	5,148
Expense/(Recovery) of bad debts	41,598	-	-	-	41,598	(14,218)
Digital/RRVS strategy	-	37,420	-	-	37,420	54,180
Awards and scholarships	31,000	-	-	-	31,000	35,003
JA Canada/JACF Insurance	30,888	-	-	-	30,888	32,381
Other events	17,342	1,907	-	-	19,249	47,236
Marketing and communications	18,487	-	-	-	18,487	20,255
Program development	264	7,051	-	-	7,315	58,989
Fundraising	6,217	-	-	-	6,217	5,202
Inventory write off	-	-	-	-	-	45,982
Foreign exchange loss (gain)	(2,195)	-	-	-	(2,195)	4,892
	<u>3,086,435</u>	<u>1,192,617</u>	<u>264,593</u>	<u>-</u>	<u>4,543,645</u>	<u>3,585,569</u>
Excess (deficiency) of revenue over expenses	\$ <u>75,131</u>	\$ <u>(8,034)</u>	\$ <u>(109,359)</u>	\$ <u>10,350</u>	\$ <u>(31,912)</u>	\$ <u>(641,568)</u>

See accompanying notes to the financial statements.

JA Canada

Statement of changes in fund balances

Year ended June 30

	Operating Fund	Restricted and Special Purpose Fund	Capital Asset Fund	Endowment Fund	2017 Total	2016 Total
Fund balances, beginning of year (Note 3)	\$ 725,121	\$ 89,997	\$ 290,590	\$ 497,922	\$ 1,603,630	\$ 2,245,198
Excess (deficiency) of revenue over expenses	75,131	(8,034)	(109,359)	10,350	(31,912)	(641,568)
Inter fund transfers	<u>75,663</u>	<u>(61,963)</u>	<u>(13,700)</u>	-	-	-
Fund balances, end of year	\$ <u>875,915</u>	\$ <u>20,000</u>	\$ <u>167,531</u>	\$ <u>508,272</u>	\$ <u>1,571,718</u>	\$ <u>1,603,630</u>

See accompanying notes to the financial statements.

JA Canada

Statement of financial position

June 30

	Operating Fund	Restricted and Special Purpose Fund	Capital Asset Fund	Endowment Fund	2017 Total	2016 Total
Assets						
Current						
Cash and cash equivalents	\$ 30,253	\$ 150,000	\$ -	\$ 337,874	\$ 518,127	\$ 1,259,555
Receivables						
Affiliated organizations	100,964	-	-	-	100,964	30,120
JACF (Note 5)	480,669	-	-	-	480,669	430,667
Other	267,021	-	-	-	267,021	151,361
Inventory	130,945	-	-	-	130,945	80,553
Prepays	143,099	-	-	-	143,099	121,364
	1,152,951	150,000	-	337,874	1,640,825	2,073,620
Investments in preferred shares (Note 4)	-	-	-	153,734	153,734	153,471
Investment in common shares (Note 4)	-	-	-	16,664	16,664	14,341
Capital assets (Note 6)	-	-	827,785	-	827,785	1,001,872
	\$ 1,152,951	\$ 150,000	\$ 827,785	\$ 508,272	\$ 2,639,008	\$ 3,243,304
Liabilities						
Current						
Bank overdraft	\$ 78,992	\$ -	\$ -	\$ -	78,992	-
Payable and accruals	170,968	-	-	-	170,968	335,549
Deferred revenue	7,076	150,000	-	-	157,076	441,995
	257,036	150,000	-	-	407,036	777,544
Long-term						
Deferred capital contributions (note 7)	-	-	660,254	-	660,254	862,130
	257,036	150,000	660,254	-	1,067,290	1,639,674
Fund balances						
Invested in capital assets	-	-	167,531	-	167,531	290,590
Externally restricted	-	-	-	508,272	508,272	497,922
Unrestricted	895,915	-	-	-	895,915	815,118
	895,915	-	167,531	508,272	1,571,718	1,603,630
	\$ 1,152,951	\$ 150,000	\$ 827,785	\$ 508,272	\$ 2,639,008	\$ 3,243,304

Commitments (Note 8)

Line of credit (Note 9)

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	Restricted and Special Purpose Fund	Capital Asset Fund	Endowment Fund	2017 Total	2016 Total
(Decrease) increase in cash and cash equivalents						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ 75,131	\$ (8,034)	\$ (109,359)	\$ 10,350	\$ (31,912)	\$ (641,568)
Depreciation of capital assets	-	-	264,593	-	264,593	81,914
Net change in non-cash working capital (Note 10)	<u>(564,646)</u>	<u>(305,617)</u>	<u>(89,746)</u>	<u>-</u>	<u>(960,009)</u>	<u>366,106</u>
	<u>(489,515)</u>	<u>(313,651)</u>	<u>65,488</u>	<u>10,350</u>	<u>(727,328)</u>	<u>(193,548)</u>
Investing activities						
Purchase of capital assets	-	-	(90,506)	-	(90,506)	(557,891)
Purchase of investments	-	-	-	(2,586)	(2,586)	-
Disposition of investments	-	-	-	-	-	159,062
	<u>-</u>	<u>-</u>	<u>(90,506)</u>	<u>(2,586)</u>	<u>(93,092)</u>	<u>(398,829)</u>
Financing activity						
Bank overdraft drawn on	<u>78,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,992</u>	<u>-</u>
	<u>78,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,992</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(410,523)	(313,651)	(25,018)	7,764	(741,428)	(592,377)
Cash and cash equivalents, beginning of year	365,113	525,614	38,718	330,110	1,259,555	1,851,932
Inter fund transfers	<u>75,663</u>	<u>(61,963)</u>	<u>(13,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u>30,253</u>	\$ <u>150,000</u>	\$ <u>-</u>	\$ <u>337,874</u>	\$ <u>518,127</u>	\$ <u>1,259,555</u>

See accompanying notes to the financial statements.

JA Canada

Notes to the financial statements

June 30, 2017

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 through the Canadian Chartered Organizations. JA maintains an operating agreement with each of its Canadian Chartered Organization affiliates from which it charges annual license fees of \$479,621 (2016 - \$468,772). In addition, JA has a licensing agreement with its U.S. affiliate, Junior Achievement Worldwide, to which it paid an annual licensing fee of \$165,715 (2016 - \$172,986).

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

The 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

The organization 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 and Special Purpose 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, and the redevelopment of existing programs.

JA Canada

Notes to the financial statements

June 30, 2017

2. Summary of significant accounting policies (continued)

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

The **Endowment Fund** consists of a set of accounts which report endowment contributions and related investment income. An endowment contribution stipulates that the resources contributed be permanently maintained. The Endowment Fund includes two separate funds that have two specific purposes. Donations are placed in a segregated account and invested in preferred shares or money market funds. The first fund was established in 1987. Income from this fund may only be used for research and development activities of JA. The second fund was established in 1996 and is administered by the Organization's management. Income from this fund may only be used for scholarships.

Financial instruments

JA 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 of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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 Virtual School project, including associated digital intangible assets.

JA Canada

Notes to the financial statements

June 30, 2017

2. Summary of significant accounting policies (continued)

Capital assets (continued)

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 the Organization, 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 Fund investments in common and preferred shares 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

The Organization 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.

Endowment Fund income

Endowment Fund income is transferred annually to the operating fund to offset research and development costs and to the restricted fund to offset scholarship awards. The transfer cannot exceed actual research and development costs incurred or scholarships awarded during the year.

JA Canada

Notes to the financial statements

June 30, 2017

2. Summary of significant accounting policies (continued)

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 allowance for doubtful account 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.

3. Amalgamation of fund balances

During the year, JA amalgamated the Operating Reserve and Priorities Funds into the Operating Fund.

The details of the amalgamation and their effect on the opening fund balances are outlined below:

	Previously Reported	Effect of Amalgamation	Amalgamated
Statement of fund balances			
Operating fund	\$ 415,121	\$ 310,000	\$ 725,121
Operating reserve fund	260,000	(260,000)	-
Priorities fund	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
	725,121	-	725,121
Restricted and Special Purpose Fund	<u>-</u>	<u>-</u>	<u>89,997</u>
Total 2016 Unrestricted Fund balance	\$ <u>725,121</u>	\$ <u>-</u>	\$ <u>815,118</u>

JA Canada

Notes to the financial statements

June 30, 2017

4. Investments

At the year end June 30, 2017, the fair market value of the preferred shares was \$153,734 (2016 - \$153,471) the original purchase price of these shares amounted to \$98,285 (2016 - \$98,285).

At the year end June 30, 2017, the fair market value of the common shares was \$16,664 (2016 - \$14,341) the original purchase price of these shares amounted to \$18,382 (2016 - \$18,382).

5. 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.

Contributions received in the year from JACF were \$1,442,407 of which \$1,442,407 was included in the Operating Fund and \$nil in the Restricted and Special Purpose Fund. In 2016, JACF made contributions of \$1,405,036 of which \$ 1,405,036 was included in the Operating Fund.

Transactions between related parties were in the normal course of operations and were measured at the exchange amounts.

6. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Computer – hardware	\$ 101,105	\$ 99,166	\$ 1,939	\$ 11,386
Computer – software	337,476	318,699	18,777	59,447
Furniture	47,888	40,716	7,172	6,202
Equipment	3,665	3,166	499	747
Internally developed software (a)	968,156	170,521	797,635	922,053
Leasehold improvements	<u>3,799</u>	<u>2,036</u>	<u>1,763</u>	<u>2,037</u>
	\$ <u>1,462,089</u>	\$ <u>634,304</u>	\$ <u>827,785</u>	\$ <u>1,001,872</u>

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

JA Canada

Notes to the financial statements

June 30, 2017

7. Deferred contributions

Deferred contributions related to capital assets and restricted programs represent the unamortized amount of funds received for the purchase/development of capital assets and unspent restricted program funding, respectively.

8. Commitments

- (i) JA leases office facilities and equipment under operating lease agreements. As at June 30, 2016 the future minimum annual lease commitment remaining under these leases is as follows:

2018	\$	61,308
2019		8,770
2020		6,836
2021		5,454
2022		1,364
	\$	<u>83,732</u>

- (ii) In June 2017, JA paid approximately \$88,000 as down payment for the purchase of print product inventory costing approximately \$176,000. The delivery of the inventory is expected in September 2017.

9. 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, 2017 the maximum facility remains available.

10. Change in non-cash operating working capital

	Operating Fund	Restricted and Special Purpose Fund	Capital Asset Fund	<u>2017</u>	<u>2016</u>
Receivables from affiliated Organizations and JACF	\$ (120,846)	\$ -	-	\$ (120,846)	\$ 439,336
Other receivables	(115,660)	-	-	(115,660)	(43,544)
Prepays	(21,735)	-	-	(21,735)	(112,468)
Payables and accruals	(164,581)	-	-	(164,581)	(20,907)
Inventory	(50,392)	-	-	(50,392)	(80,553)
Deferred revenue	(91,432)	(193,487)	-	(284,919)	182,242
Deferred capital contributions	-	(112,130)	(89,746)	(486,795)	-
	<u>\$ (564,646)</u>	<u>\$ (305,617)</u>	<u>\$ (89,746)</u>	<u>\$ (960,009)</u>	<u>\$ 366,106</u>

JA Canada

Notes to the financial statements

June 30, 2017

11. 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 funds, some grants, and donations have conditions setting out the activities or other expenditures for which the funds may be used.

12. Financial instrument risk

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

Credit risk

The Organization 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 the Organization.

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

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

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