



Financial Statements

Junior Achievement of Canada

June 30, 2021

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Independent Auditor's Report

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To the Members of
Junior Achievement of Canada

Opinion

We have audited the financial statements of **Junior Achievement of Canada (“JA Canada”)** which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **JA Canada** as at June 30, 2021, and its financial performance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 JA Canada 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 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 Federation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate JA Canada or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing JA Canada's financial reporting process.

Auditor's Responsibility 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 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 Federation'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 Federation'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 Federation 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.

Grant Thornton LLP

Toronto, Canada
October 28, 2021

Chartered Professional Accountants
Licensed Public Accountants

Junior Achievement of Canada

Statement of operations

Year ended June 30, 2021

	Operating Fund	Capital Asset Fund	Restricted Fund	2021 Total	2020 Total
Revenue					
Program direct	\$ 287,247	\$ -	\$ 2,193,309	\$ 2,480,556	\$ 2,487,435
Contributions	1,061,816	171,910	-	1,233,726	1,411,021
Events	614,585	-	-	614,585	-
Charter license fees	441,154	-	-	441,154	544,110
Government assistance (Note 12)	309,579	-	-	309,579	160,508
	<u>2,714,381</u>	<u>171,910</u>	<u>2,193,309</u>	<u>5,079,600</u>	<u>4,603,074</u>
Expenses					
Program direct	1,352,187	-	2,193,309	3,545,496	3,381,598
General and administration	439,379	-	-	439,379	541,862
Marketing and events	382,761	-	-	382,761	172,032
Resource development	309,175	-	-	309,175	288,195
Depreciation	-	178,005	-	178,005	224,014
Foreign exchange loss	8,848	-	-	8,848	5,985
Bad debts	-	-	-	-	16,000
Loss on disposal of capital assets	-	-	-	-	155,226
	<u>2,492,350</u>	<u>178,005</u>	<u>2,193,309</u>	<u>4,863,664</u>	<u>4,784,912</u>
(Deficiency) excess of revenue over expenses	\$ <u>222,031</u>	\$ <u>(6,095)</u>	\$ <u>-</u>	\$ <u>215,936</u>	\$ <u>(181,838)</u>

See accompanying notes to the financial statements.

Junior Achievement of Canada

Statement of changes in fund balances

Year ended June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2021 Total	2020 Total
Fund balances, beginning of the year	\$ 486,130	\$ 657,866	\$ 513,428	\$ 1,657,424	\$ 1,839,262
(Deficiency) excess of revenue over expenses	222,031	(6,095)	-	215,936	(181,838)
Capital assets purchased	-	-	-	-	-
Fund balances, end of year	\$ <u>708,161</u>	\$ <u>651,771</u>	\$ <u>513,428</u>	\$ <u>1,873,360</u>	\$ <u>1,657,424</u>

See accompanying notes to the financial statements.

Junior Achievement of Canada

Statement of financial position

June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2021 Total	2020 Total
Assets					
Current					
Cash and cash equivalents	\$ 726,228	\$ 171,910	\$ 540,919	\$ 1,439,057	\$ 1,717,070
Receivables					
Affiliated organizations	14,061	-	-	14,061	23,190
Other	150,188	-	10,000	160,188	466,244
Inventory	189,416	-	-	189,416	211,689
Prepays	118,094	-	-	118,094	114,455
	<u>1,197,987</u>	<u>171,910</u>	<u>550,919</u>	<u>1,920,816</u>	<u>2,532,648</u>
Investments (Note 3)	115,476	676,239	232,470	1,024,185	295,625
Capital assets (Note 4)	-	479,860	-	479,860	657,865
	<u>\$ 1,313,463</u>	<u>\$ 1,328,009</u>	<u>\$ 783,389</u>	<u>\$ 3,424,861</u>	<u>\$ 3,486,138</u>
Liabilities					
Current					
Payable and accruals	\$ 414,900	\$ -	\$ 34,296	\$ 449,196	\$ 476,632
Deferred revenue	150,402	-	235,665	386,067	1,262,082
	<u>565,302</u>	<u>-</u>	<u>269,961</u>	<u>835,263</u>	<u>1,738,714</u>
Long-term					
Loan payable – CEBA (Note 5)	40,000	-	-	40,000	-
Deferred capital contributions (Note 6)	-	676,239	-	676,239	90,000
	<u>605,302</u>	<u>676,239</u>	<u>269,961</u>	<u>1,551,502</u>	<u>1,828,714</u>
Fund balances					
Invested in capital assets	-	651,770	-	651,770	657,866
Externally restricted	-	-	-	-	280,958
Internally restricted	-	-	513,428	513,428	232,470
Unrestricted	708,161	-	-	708,161	486,130
	<u>708,161</u>	<u>651,770</u>	<u>513,428</u>	<u>1,873,359</u>	<u>1,657,424</u>
	<u>\$ 1,313,463</u>	<u>\$ 1,328,009</u>	<u>\$ 783,389</u>	<u>\$ 3,424,861</u>	<u>\$ 3,486,138</u>

Commitments (Note 7)

Line of credit (Note 8)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Junior Achievement of Canada

Statement of cash flows

Year ended June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2021 Total	2020 Total
Increase (decrease) in cash and cash equivalents					
Operating activities					
Excess (deficiency) of revenue over expenses	\$ 222,031	\$ (6,095)	\$ -	\$ 215,936	\$ (181,838)
Item not involving cash					
Depreciation of capital assets	-	178,005	-	178,005	224,014
Loss on impairment of capital assets	-	-	-	-	155,226
Unrealized (gain) loss on investments	(9,518)	-	-	(9,518)	4,542
Government assistance relating to loan forgiveness	(20,000)	-	-	(20,000)	-
Net change in non-cash working capital (Note 9)	<u>(611,018)</u>	<u>676,239</u>	<u>(48,614)</u>	<u>16,607</u>	<u>286,413</u>
	<u>(418,505)</u>	<u>848,149</u>	<u>(48,614)</u>	<u>381,030</u>	<u>488,357</u>
Investing activities					
Purchase of capital assets	-	-	-	-	(622,059)
Disposition of (purchase of) investments	<u>(91,292)</u>	<u>(676,239)</u>	<u>48,488</u>	<u>(719,043)</u>	<u>-</u>
	<u>(91,292)</u>	<u>(676,239)</u>	<u>48,488</u>	<u>(719,043)</u>	<u>(622,059)</u>
Financing activities					
Proceeds from loan payable – CEBA	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(449,797)	171,910	(126)	(278,012)	(133,702)
Cash and cash equivalents, beginning of year	<u>1,176,025</u>	<u>-</u>	<u>541,045</u>	<u>1,717,070</u>	<u>1,850,772</u>
Cash and cash equivalents, end of year	\$ <u>726,228</u>	\$ <u>171,910</u>	\$ <u>540,919</u>	\$ <u>1,439,057</u>	\$ <u>1,717,070</u>

See accompanying notes to the financial statements.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

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 \$441,154 (2020 - \$544,110). In addition, JA has a licensing agreement with its U.S. affiliate, Junior Achievement Worldwide, to which it paid an annual licensing fee of \$114,406 (2020 - \$158,898).

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 that segregates the fund balances as follows:

The **Operating Fund** consists of a set of accounts which report all day-to-day activities including the development of new programs and the renewal of programs, the revenues and expenses associated with the Canadian Business Hall of Fame (“CBHF”) Gala, contributions from external sources set out for specific purposes but are part of the operations of the business, and the balance of internally restricted reserve funds and related investment income.

The **Restricted Fund** consists of a set of accounts which report contributions externally restricted by donors for specified programs or projects, as well as internally restricted funds including reserves and endowment contributions.

In 2021, the JA Canada board approved a change in governance of JA endowment funds. The research and development fund that was established in 1987 was merged with the second endowment fund, established in 1996 for scholarships. The combined endowment is internally restricted and use of funds requires approval from the JA Canada board of directors.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

2. Summary of significant accounting policies (continued)

Donations for endowment purposes are placed in a segregated account and can be invested per the JA Canada investment policy. Income generated from the endowment is recorded separately from the contributed donations.

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.

Capital assets

Capital assets are recorded at cost less amortization and impairment. Third party and internally allocated costs are capitalized under internally developed digital 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 digital assets	- 5 years

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

2. Summary of significant accounting policies (continued)

Capital assets(continued)

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

Reserve funds and endowment contributions are invested in common 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.

Endowment income

Endowment income is recorded annually in a separate account to offset research and development costs and scholarship awards. 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.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

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 on 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.

Government assistance

JA received COVID 19 benefits during the year. These benefits were in the form of Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS) and Canada Emergency Business Account (CEBA) loan. Revenue from CEWS and CERS were recorded on an accrual basis. The CEBA loan consisted a forgivable portion of the loan which was recognized in the year the loan was received.

3. Investments

	<u>2021</u>	<u>2020</u>
Common shares	\$ 24,185	\$ 14,667
Marketable securities	<u>1,000,000</u>	<u>280,958</u>
	<u>\$ 1,024,185</u>	<u>\$ 295,625</u>

These financial statements are recorded at fair market value as at June 30, 2021 and 2020. The marketable securities are interest bearing GICs with variable interest rate of prime minus 2.45% and maturing on May 03, 2022.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

4. Capital assets

			2021 Net <u>Book Value</u>	2020 Net <u>Book Value</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Computer – hardware	\$ 152,460	\$ 139,529	\$ 12,931	\$ 28,873
Computer – software	337,476	337,476	-	-
Furniture	48,717	48,551	166	1,243
Equipment	4,420	4,269	151	302
Leasehold improvements	3,799	3,799	-	-
Internally developed digital assets	<u>583,265</u>	<u>116,653</u>	<u>466,612</u>	<u>627,447</u>
	<u>\$ 1,130,137</u>	<u>\$ 650,277</u>	<u>\$ 479,860</u>	<u>\$ 657,865</u>

5. Loan payable – CEBA

During the year, JA obtained the Canada Emergency Business Account (CEBA) loan of \$60,000. The loan is interest free and due no later than December 31, 2022. If JA is able to pay \$40,000 on or before December 31, 2022, the remaining \$20,000 will be forgiven. If the loan cannot be repaid by December 31, 2022, the loan will be converted into a 3-year term loan, with an interest rate of 5% due no later than December 31, 2025. As JA has determined it will likely meet the conditions required to achieve forgiveness of the loan, the forgivable amount has been recorded as government assistance in the statement of operations and changes in fund balances.

6. Deferred contributions

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

7. Commitments

JA leases office facilities under an operating lease agreement. As at June 30, 2021, the future minimum annual lease commitment remaining under this lease is as follows:

2022	\$ <u>2,938</u>
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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, 2021, the maximum facility remains available.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

9. Change in non-cash operating working capital

	Operating Fund	Capital Asset Fund	Restricted Fund	2021	2020
Receivables from affiliated Organizations	\$ 9,129	\$ -	\$ -	\$ 9,129	\$ 114,951
Other receivables	212,539	90,000	3,518	306,057	(112,276)
Prepays	(3,639)	-	-	(3,639)	116,053
Payables and accruals	(48,214)	-	20,778	(27,436)	(158,512)
Inventory	22,273	-	-	22,273	(43,170)
Deferred revenue	(803,106)	-	(72,910)	(876,016)	589,819
Deferred capital contributions	-	586,239	-	586,239	(220,452)
	\$ (611,018)	\$ 676,239	\$ (48,614)	\$ 16,607	\$ 286,413

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, and restricted 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 some 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 fulfil their obligations would result in significant financial losses for JA. JA has included a provision for their receivables in the amount of Nil (2020 - \$16,000) and this provision relates to the affiliated organization, one of its charters. JA is also exposed to concentration risk in that all of its cash is held with two financial institution and the balances held are in excess of Canadian Deposit Insurance Corporation limits.

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.

Junior Achievement of Canada

Notes to the financial statements

June 30, 2021

11. Financial instrument risk (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. Impacts of COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During the year, JA has received \$276,046 (2020 - \$160,508) in the form of the Canada Emergency Wage Subsidy (CEWS) program and \$13,533 (2020 - Nil) in the form of Canada Emergency Rent Subsidy (CERS) which has been reported under government assistance. JA has also received \$60,000 (2020 - Nil) in the form of Canada Emergency Business Account (CEBA) loan, and the forgivable portion of \$20,000 (2020 - Nil) has been recognized as government assistance on statement of operations.

13. Comparative figures

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