

DRAFT Financial Statements of
**JUNIOR ACHIEVEMENT
OF SOUTH WESTERN
ONTARIO INC.**

And Independent Auditors' Report thereon
Year ended June 30, 2022

INDEPENDENT AUDITORS' REPORT

To the Directors of Junior Achievement of South Western Ontario Inc.

Opinion

We have audited the financial statements of Junior Achievement of South Western Ontario Inc. (the Entity), which comprise:

- the statement of financial position as at June 30, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies and schedules

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2022 and its results of operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity 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 the 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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- 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.
- 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.

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Statement of Financial Position

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June 30, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 890,894	\$ 519,623
Accounts receivable	30,793	29,087
Prepaid expenses	18,709	7,000
	<u>940,396</u>	<u>555,710</u>
Capital assets (note 2)	53,709	46,138
	<u>\$ 994,105</u>	<u>\$ 601,848</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 79,898	\$ 51,332
Deferred revenue	150,514	85,313
	<u>230,412</u>	<u>136,645</u>
Deferred contributions related to capital assets (note 3)	22,235	20,882
	<u>252,647</u>	<u>157,527</u>
Net assets:		
Investment in capital assets (note 4)	31,474	25,256
Internally restricted (note 10)	450,000	101,460
Unrestricted	259,984	317,605
	<u>741,458</u>	<u>444,321</u>
	<u>\$ 994,105</u>	<u>\$ 601,848</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Statement of Operations

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Year ended June 30, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Programs (Schedule)	\$ 667,715	\$ 447,264
Special events (Schedule)	156,790	109,571
Annual giving	150,411	25,169
Other revenue (note 7)	14,736	167,489
Amortization of deferred contributions related to capital assets	5,651	3,751
Nevada tickets	2,397	14,630
	997,700	767,874
Expenses:		
Programs (Schedule)	74,607	55,048
Special events (Schedule)	40,173	14,880
	114,780	69,928
	882,920	697,946
General expenses (Schedule):		
Staff	595,651	456,653
Administration and development	203,246	119,449
Facilities	14,706	17,478
	813,603	593,580
Excess of revenues over expenses	\$ 69,317	\$ 104,366

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Statement of Changes in Net Assets

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Year ended June 30, 2022, with comparative information for 2021

	Investment in capital assets	Internally restricted	Unrestricted	2022 Total	2021 Total
Net assets, beginning of year \$	25,256 \$	101,460 \$	317,605 \$	444,321 \$	339,955
Excess of revenues over expenses (note 4)	(5,973)	-	75,290	69,317	104,366
Purchase of capital assets (note 4)	5,065	-	(5,065)	-	-
Amalgamation (note 11)	7,126	-	220,694	227,820	-
Inter fund transfers (note 10)	-	348,540	(348,540)	-	-
Net assets, end of year \$	31,474 \$	450,000 \$	259,984 \$	741,458 \$	444,321

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Statement of Cash Flows

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Year ended June 30, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 69,317	\$ 104,366
Items not involving cash:		
Amortization of capital assets	11,624	6,647
Amortization of deferred contributions related to capital assets	(5,651)	(3,751)
Changes in non-cash operating working capital (note 6)	80,352	67,219
	155,642	174,481
Investing activities:		
Purchase of capital assets	(5,065)	(4,384)
Net change due to amalgamation (note 11)	220,694	-
	215,629	(4,384)
Increase in cash	371,271	170,097
Cash, beginning of year	519,623	349,526
Cash, end of year	\$ 890,894	\$ 519,623

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements

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Year ended June 30, 2022

Junior Achievement of South Western Ontario Inc. (the "Organization"), is incorporated without share capital under the Ontario Corporations Act. It is a not-for-profit organization which provides quality business education programs to youth in order to promote and preserve the free enterprise system. Junior Achievement of South Western Ontario, Inc. operates in the counties of Elgin, Oxford, Middlesex, Huron, Perth, Kent, Waterloo, and Lambton.

On July 1, 2021, Junior Achievement of South Western Ontario Inc. was amalgamated with Junior Achievement of the Waterloo Region Inc. and the combined organization has continued operations under the name of Junior Achievement of South Western Ontario Inc. The current year revenues and expenses include the combined activities from the date of the amalgamation.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When capital assets no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

1. Significant accounting policies (continued):

(b) Capital assets (continued):

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	10 years
Building	Lesser of 10 years or remaining lease term
Computer software	3 years

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time to the Organization each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(f) Government funding:

Government funding is recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the funding occur, performance criteria are met, and a reasonable estimate of the amount can be made. Government funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenditures are incurred or services performed.

2. Capital assets:

				2022	2021
	Cost	Accumulated amortization		Net book value	Net book value
Computer equipment	\$ 107,850	\$ 97,076	\$	10,774	\$ 3,889
Furniture and fixtures	40,823	32,728		8,095	3,468
Leasehold improvements	76,029	61,025		15,004	17,454
Land	12,863	-		12,863	12,863
Building (note 2(a))	102,613	95,640		6,973	8,464
	\$ 340,178	\$ 286,469	\$	53,709	\$ 46,138

(a) Building:

The building used by the Organization in London, for its operations, is owned by The Corporation of the City of London and was constructed by the Organization from the proceeds of grants and donations. The Organization has exclusive use of the property, without charge, as long as it continues to provide business education programs for youth.

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

3. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2022		2021
Balance, beginning of year	\$	20,882	\$	24,633
Capital contribution due to amalgamation		7,004		-
Amortization of deferred contributions related to capital assets		(5,651)		(3,751)
Balance, end of year	\$	22,235	\$	20,882

4. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

		2022		2021
Capital assets	\$	53,709	\$	46,138
Amount financed by deferred contributions		(22,235)		(20,882)
	\$	31,474	\$	25,256

(b) Change in net assets invested in capital assets is calculated as follows:

		2022		2021
Deficiency of revenues over expenses:				
Amortization of capital assets	\$	(11,624)	\$	(6,647)
Amortization of deferred contributions		5,651		3,751
		(5,973)		(2,896)
Net change in investment in capital assets:				
Purchase of capital assets		5,065		4,384
Capital contribution - Amalgamation		7,126		-
	\$	6,218	\$	1,488

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

5. Credit facility:

The Organization has an arrangement with its banker providing for an unsecured line of credit facility in the amount of \$20,000. At year end, the Organization has drawn \$nil (2021 - \$nil) on this facility.

6. Changes in non-cash operating working capital:

	2022	2021
Accounts receivable	\$ (1,706)	\$ 2,935
Prepaid expenses	(11,709)	(1,000)
Accounts payable and accrued liabilities	28,566	27,621
Deferred revenue	65,201	37,663
	<u>\$ 80,352</u>	<u>\$ 67,219</u>

7. Government funding:

During the year, the Organization applied for and received \$377 (2021 - \$162,710) of Canada Emergency Wage Subsidy ("CEWS") funding. Amounts received were recorded as revenue in the Statement of Operations.

8. Commitments:

The Organization is committed to a minimum annual lease payments under an operating lease for office space. The approximate annual payments are as follows:

2023	\$ 27,375
2024	27,563
2025	27,750
2026	27,938
2027	14,062
	<u>\$ 124,688</u>

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

9. Financial risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to this risk exposure from 2021.

10. Internally restricted and unrestricted funds:

The Board of Directors has internally restricted certain funds for the purpose of maintaining an operating contingency, the use of these funds required Board approval.

As a Licensee of JA Canada, Junior Achievement of South Western Ontario Inc. ("JA SWO") is required to have a minimum Sustainability Reserve of 25% with a preferred target of 50%, consisting of unrestricted and internally restricted funds. Applying the respective JA Canada policy and procedure, the Sustainability Reserve for JA SWO has been calculated to be 71% of its net operating expenses for the year ended June 30, 2022 (2021 - 55%).

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Notes to Financial Statements (continued)

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Year ended June 30, 2022

11. Amalgamation:

On July 1, 2021, Junior Achievement South Western Ontario Inc. was amalgamated with Junior Achievement of the Waterloo Region Inc. and the combined organization has continued operations under the name of Junior Achievement of South Western Ontario Inc. The comparative information includes the combined activities from the date of amalgamation. The table shows the pre-amalgamation balances of Junior Achievement of South Western Ontario, Inc. (pre-amalgamation) and Junior Achievement of the Waterloo Region Inc.

Pre- Amalgamation balances

	Junior Achievement South Western Ontario	Junior Achievement Waterloo Region	Total
Assets	\$ 601,848	\$ 392,587	\$ 994,435
Liabilities	157,527	164,767	322,294
Net assets	444,321	227,820	672,141

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Schedule - Programs

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Year ended June 30, 2022, with comparative information for 2021

	Revenues	Expenses	2022	2021
World of Choices	\$ 159,235	\$ 17,819	\$ 141,416	\$ 50,752
Economics for Success	129,094	9,906	119,188	142,921
Dollars with Sense	84,018	11,590	72,428	72,565
Personal Finance	64,367	4,132	60,235	40,553
Company Program	97,752	20,957	76,795	16,089
Financial Literacy	25,900	-	25,900	5,000
Canada Summer Jobs	22,239	-	22,239	-
Job Shadow	21,333	400	20,933	-
Our Business World	20,365	3,742	16,623	10,562
Business of Our Own	13,085	-	13,085	-
Student Run Companies	11,078	208	10,870	13,293
More Than Money	7,017	3,139	3,878	16,564
Be Entrepreneurial	1,875	-	1,875	-
Summer Camp	-	-	-	13,343
Investment Strategy Plan	-	-	-	4,857
Other	10,357	2,714	7,643	5,717
	\$ 667,715	\$ 74,607	\$ 593,108	\$ 392,216

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Schedule - Special Events

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Year ended June 30, 2022, with comparative information for 2021

	Revenues	Expenses	2022	2021
London Business Hall of Fame	\$ 81,631	\$ 17,754	\$ 63,877	\$ 86,428
Golf tournament	64,159	22,417	41,742	5,486
50th Anniversary Campaign	11,000	-	11,000	-
Miscellaneous	-	2	(2)	2,777
	\$ 156,790	\$ 40,173	\$ 116,617	\$ 94,691

JUNIOR ACHIEVEMENT OF SOUTH WESTERN ONTARIO INC.

Schedule - General Expenses

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Year ended June 30, 2022, with comparative information for 2021

	2022	2021
Staff		
Salaries	\$ 535,271	\$ 416,882
Benefits	57,839	39,323
Automobile	2,541	448
	\$ 595,651	\$ 456,653
Administration and development:		
Administration	\$ 113,721	\$ 55,687
Legal and accounting	51,619	40,603
Insurance	19,866	12,588
Amortization of capital assets	11,624	6,647
Development	3,352	984
Realty taxes	3,064	2,940
	\$ 203,246	\$ 119,449
Facilities:		
Utilities	9,538	9,118
Maintenance	\$ 5,168	\$ 8,360
	\$ 14,706	\$ 17,478