

Financial Statements

Junior Achievement of British Columbia

June 30, 2020

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Independent Auditor's Report

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To the Members of
Junior Achievement of British Columbia

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Junior Achievement of British Columbia ("JABC"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JABC as at June 30, 2020, and its results of operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of JABC 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 JABC'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 JABC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 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 JABC'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 JABC'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 JABC 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.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
October 20, 2020

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

Junior Achievement of British Columbia **Statement of Operations**

Year ended June 30	2020	2019
Revenue		
Contributions	\$ 1,595,584	\$ 1,481,413
Special events	332,921	1,111,894
Other income	200,759	-
Investment income	82,803	74,616
Government grant	-	333,000
	<u>2,212,067</u>	<u>3,000,923</u>
Expenses		
Salaries and benefits	1,994,288	1,771,583
Programs	311,079	317,504
Special events	199,639	517,169
National fees	118,479	119,735
Facilities	106,511	104,870
Office	92,091	103,923
IT Audit	52,354	-
Staff development	29,723	20,523
Accounting and audit	25,484	33,643
Amortization	10,256	11,447
Other	2,581	3,063
	<u>2,942,485</u>	<u>3,003,460</u>
Deficiency of revenue over expenses before the undernoted	(730,418)	(2,537)
Unrealized gain on investments	<u>15,325</u>	<u>14,604</u>
(Deficiency) excess of revenue over expenses	<u>\$ (715,093)</u>	<u>\$ 12,067</u>

Junior Achievement of British Columbia

Statement of Changes in Net Assets

Year ended June 30

	Endowment Fund	Restricted - Place of Honour	Restricted - IT Audit Implementation	Restricted - Capital Campaign - Digital Strategy	Unrestricted Fund	Total 2020	Total 2019
Balance, beginning of year	\$ 251,555	\$ 346,153	\$ -	\$ -	\$ 2,211,314	\$ 2,809,022	\$ 2,790,643
(Deficiency) excess of revenue over expenses	-	-	(52,354)	-	(662,739)	(715,093)	12,067
Transfer between funds	-	-	100,000	750,000	(850,000)	-	-
Endowment income	<u>5,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,566</u>	<u>6,312</u>
Balance, end of year	<u>\$ 257,121</u>	<u>\$ 346,153</u>	<u>\$ 47,646</u>	<u>\$ 750,000</u>	<u>\$ 698,575</u>	<u>\$ 2,099,495</u>	<u>\$ 2,809,022</u>

See accompanying notes to the financial statements.

Junior Achievement of British Columbia **Statement of Financial Position**

June 30 2020 2019

Assets

Current

Cash and cash equivalents	\$ 1,621,188	\$ 1,962,165
Investments (Note 3)	780,597	741,106
Interest and other receivables (Note 4)	408,246	205,661
Prepaid expenses	111,360	33,024
	<u>2,921,391</u>	<u>2,941,956</u>

Capital assets (Note 5)	<u>377,309</u>	<u>385,458</u>
	<u>\$ 3,298,700</u>	<u>\$ 3,327,414</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 59,388	\$ 125,810
Deferred contributions (Note 6)	895,535	143,487
Current portion of obligation under capital lease (Note 7)	3,670	3,328
	<u>958,593</u>	<u>272,625</u>

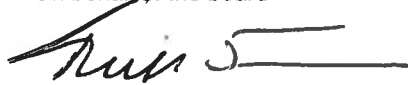
Obligation under capital lease (Note 7)	7,353	11,023
Deferred contributions (Note 6)	<u>233,259</u>	<u>234,744</u>
	<u>1,199,205</u>	<u>518,392</u>

Net assets

Endowment Fund	257,121	251,555
Restricted - Place of Honour	346,153	346,153
Restricted - IT Audit Implementation	47,646	-
Restricted - Capital Campaign - Digital Strategy	750,000	-
Unrestricted Fund	<u>698,575</u>	<u>2,211,314</u>
	<u>2,099,495</u>	<u>2,809,022</u>
	<u>\$ 3,298,700</u>	<u>\$ 3,327,414</u>

Commitment (Note 9)

On behalf of the board

 Director

 Director

Junior Achievement of British Columbia **Statement of Cash Flows**

Year ended June 30

2020

2019

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenue over expenses	\$ (715,093)	\$ 12,067
Items not affecting cash		
Amortization	10,256	11,447
Unrealized (gain) loss on investments	(15,325)	(14,604)
Amortization of deferred contributions	<u>(140,445)</u>	<u>(55,096)</u>
	(860,607)	(46,186)
Change in non-cash operating working capital		
Increase in interest and other receivables	(202,585)	(28,979)
Increase in prepaid expenses	(78,336)	(30,672)
(Decrease) increase in accounts payable and accrued liabilities	(66,422)	43,797
Deferred contributions	<u>891,008</u>	<u>170,000</u>
	<u>(316,942)</u>	<u>107,960</u>

Financing

Repayment of obligation under capital lease	<u>(3,328)</u>	<u>(2,688)</u>
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Investing

Change in investments	(24,166)	(18,666)
Purchase of capital assets	(2,107)	(3,909)
Endowment income	<u>5,566</u>	<u>6,312</u>
	<u>(20,707)</u>	<u>(16,263)</u>

(Decrease) increase in cash and cash equivalents (340,977) 89,009

Cash and cash equivalents

Beginning of year 1,962,165 1,873,156

End of year \$ 1,621,188 \$ 1,962,165

Junior Achievement of British Columbia

Notes to the Financial Statements

June 30, 2020

1. Nature of operations

The purpose of Junior Achievement of British Columbia ("JABC") is to provide young people in British Columbia with practical economic education programs and experiences in the competitive private enterprise system through a partnership with the business and education communities.

JABC is a charter organization of Junior Achievement of Canada and is responsible for delivery of Junior Achievement programs within the Province of British Columbia. In compliance with the Charter Operating Agreement from Junior Achievement Canada, JABC has the rights to use the name "Junior Achievement" and Junior Achievement programs, materials, methods, trademarks and trade names.

JABC is dependent upon contributions and donations for its continued operations. JABC is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

Statement of compliance with Canadian accounting standards for not-for-profit organizations

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting restricted

The Place of Honour fund are amounts internally restricted for the maintenance of the Place of Honour wall.

The IT Audit Implementation fund are amounts internally restricted for the purpose of utilizing a Business Analyst, investing in hardware and licenses to ensure all staff are using technology that will host programs required to maximize security and performance and increase desk-toip support available to JABC employees.

The Capital Campaign - Digital Strategy fund are amounts internally restricted for the implementation of the Junior Achievement Canada Digital Strategy which includes the purchase of computers and other hardware, transition to new digital platforms, creation of digital assets and staff training.

Revenue recognition

JABC 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 related to depreciable capital assets are deferred and amortized over the economic life of the asset. Contributions related to corporate gala sponsorships are recognized when the gala takes place. Endowment contributions and contributions related to non-depreciable capital assets are recognized as direct increases in net assets.

Junior Achievement of British Columbia

Notes to the Financial Statements

June 30, 2020

2. Summary of significant accounting policies (continued)

Donations-in-kind

Donations of equipment, materials, office space and services used in the normal course of operations are recorded at their fair value where such values are available.

Donations-in-kind for the current year were \$20,000 (2019 - \$69,825).

Cash and cash equivalents

Cash and cash equivalents include cash in bank and all highly liquid investments with maturity terms of three months or less.

Financial instruments

JABC initially measures its financial assets and financial liabilities at fair value. JABC subsequently measures all of its financial assets and financial liabilities at amortized cost, except for mutual funds, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents and interest and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial instruments measured at fair value include mutual funds. Fair values are based on quoted market values where available from active markets; otherwise, fair values are estimated using a variety of valuation techniques and models. Purchase and sales of mutual funds are recorded on the trade date.

Capital assets

Capital assets are stated at cost. Amortization is provided at the following annual rates and methods:

Equipment under capital lease	3 years Straight-line
Computer hardware	30% Declining balance
Equipment and fixtures	20% Declining balance
Equipment under capital lease	4.5 years Straight-line

The *Place of Honour* is not depreciated as it has an indefinite useful life.

Use of estimates

The preparation of 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 period. Actual results may differ from those estimates.

Junior Achievement of British Columbia **Notes to the Financial Statements**

June 30, 2020

3. Investments

	<u>2020</u>	<u>2019</u>
Mutual funds	<u>\$ 780,597</u>	<u>\$ 741,106</u>

4. Interest and other receivables

Included in interest and other receivables are pledges receivable of \$188,668 as at June 30, 2020 (2019 - \$184,028).

5. Capital assets

			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer software	\$ 93,848	\$ 93,848	\$ -	\$ -
Computer hardware	131,553	122,517	9,036	10,161
Equipment and fixtures	164,096	151,940	12,156	15,195
Equipment under capital lease	38,601	28,637	9,964	13,949
Place of Honour	<u>346,153</u>	<u>-</u>	<u>346,153</u>	<u>346,153</u>
	<u>\$ 774,251</u>	<u>\$ 396,942</u>	<u>\$ 377,309</u>	<u>\$ 385,458</u>

6. Deferred contributions

	<u>Balance June 30, 2019</u>	<u>Contributions</u>	<u>Recognized as Revenue</u>	<u>Balance June 30, 2020</u>
Capital assets - Place of Honour	\$ 231,183	\$ -	\$ 1,650	\$ 229,533
Capital assets - other	503	-	-	503
Contributions for future programs	136,295	48,500	136,295	48,500
The Jan Bell-Irving Award for Women's Leadership	10,250	-	2,500	7,750
Gala funds	<u>-</u>	<u>842,508</u>	<u>-</u>	<u>842,508</u>
	378,231	891,008	140,445	1,128,794
Less: current portion	<u>(143,487)</u>	<u>-</u>	<u>-</u>	<u>(895,535)</u>
	<u>\$ 234,744</u>	<u>\$ 891,008</u>	<u>\$ 140,445</u>	<u>\$ 233,259</u>

Junior Achievement of British Columbia

Notes to the Financial Statements

June 30, 2020

7. Obligation under capital lease

On November 14, 2017, JABC entered into a 66 month lease of a photocopier with quarterly payments of \$1,157. As at June 30, 2020, the amount of obligation under capital lease is as follows:

2021	\$	4,628
2022		4,628
2023		<u>3,471</u>
Total including interest		12,727
Less amount representing interest at 9.9% per annum		<u>1,703</u>
Total principal		11,023
Less current portion		<u>3,670</u>
	\$	<u>7,353</u>

8. Financial instruments

Fair values

The carrying amounts of financial assets measured at amortized cost are \$2,029,434 as at June 30, 2020 (2019 - \$2,167,826).

The carrying amounts of financial assets measured at fair value are \$780,597 as at June 30, 2020 (2019 - \$741,106).

The carrying amounts of financial liabilities measured at amortized cost are \$59,388 as at June 30, 2020 (2019 - \$125,810).

(a) Market risk

Market risk is the potential for financial loss to JABC from changes in the values of its financial instruments due to changes in interest rates or equity prices. The investments of JABC are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

JABC actively manages market risk through its investment policy that outlines the objectives, constraints and parameters related to its investment activities. The Board of Directors and management regularly review JABC's investments to ensure all activities adhere to the investment policy.

(b) Credit risk

JABC is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject JABC to concentrations of credit risk are receivables.

The maximum exposure to credit risk in terms of receivables is \$279,639 (2019 - \$205,661). Management believes that JABC does not have a significant credit risk on their receivables as all receivables are current and amounts due are historically received as expected.

Junior Achievement of British Columbia

Notes to the Financial Statements

June 30, 2020

8. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that JABC cannot meet a demand for cash or fund its obligations as they come due.

Liquidity risk is managed by investing the majority of JABC's assets in investments that are traded in an active market and can be readily liquidated. In addition, JABC aims to retain sufficient cash positions to maintain liquidity.

9. Commitment

Office lease

JABC has a lease for office space in Vancouver for a term ending on June 30, 2021. The estimated annual minimum lease payments for the remainder of the term are \$54,454.

10. Endowment income

JABC earns endowment income from two sources:

(a) Contributions by a family foundation (the "Endowment") in 2010 to 2013 are recorded in net assets and are held in perpetuity to support scholarship awards to JABC students. As at June 30, 2020, the contributed capital held in the Endowment, including reinvested income, is \$257,121 (2019 - \$251,555).

(b) In February 1986 JABC established a Foundation Endowment Fund (the "Fund") with the Vancouver Foundation. The investment income earned by the Fund is paid quarterly to JABC.

The Fund, which is not an asset of JABC, is held permanently by the Vancouver Foundation and invested in accordance with the provisions of the Vancouver Foundation Act. As at June 30, 2020, the contributed capital held in the Fund by the Vancouver Foundation is \$610,000 (2019 - \$610,000) and has a fair market value of \$986,433 (2019 - \$1,013,362).

The investment income earned by the Endowment and by the Fund is recorded on an accrual basis.

11. Related party transactions

During the year, JABC paid Junior Achievement of Canada ("JACAN") \$118,479 (2019 - \$119,735) in national fees and \$140,927 (2019 - \$134,055) relating to program fees, materials, and other program related costs. These costs are incurred pursuant to an operating agreement dated January 25, 2017.

Junior Achievement of British Columbia

Notes to the Financial Statements

June 30, 2020

12. Disclosure required under the Societies Act

On November 28, 2016 the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, and the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, JABC paid \$497,781 (2019 - \$465,231) in remuneration to four people (2019 - four) who are employees. There were no contractors whose remuneration during the applicable period was at least \$75,000. JABC did not pay any amounts to directors.

13. Impact of COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite 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 and impact on businesses and operations of not-for-profit organizations. 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.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. Hence, COVID-19 may have a negative impact on the level of funding that the Society will receive subsequent to year end.

The most significant financial impact on the Society was a result of cancelling of the Business Laureates of BC in the current year which resulted in significant deferred revenues as at year-end. The Society mitigated the negative impact COVID-19 could have had on the organization by ceasing all discretionary spending, reducing staffing costs through to the end of employment, layoffs, and reductions in hours and pay. The Society was also able to take advantage of the Canadian Emergency Wage Subsidy.

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Society for future periods.
