



## Financial Statements

Junior Achievement of Canada

June 30, 2019

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# Independent Auditor's Report

To the Members of  
**JA 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, 2019, 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, 2019, 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 24, 2019

Chartered Professional Accountants  
Licensed Public Accountants

# JA Canada

## Statement of operations

Year ended June 30, 2019

	Operating Fund	Capital Asset Fund	Restricted Fund	2019 Total	2018 Total
<b>Revenue</b>					
Contributions	\$ 716,519	\$ 155,226	\$ -	\$ 871,745	\$ 604,014
Program direct	581,589	-	1,961,851	2,543,440	1,688,539
Events	1,382,113	-	-	1,382,113	1,338,657
Charter license fees	561,075	-	-	561,075	569,728
	<u>3,241,296</u>	<u>155,226</u>	<u>1,961,851</u>	<u>5,358,373</u>	<u>4,200,938</u>
<b>Expenses</b>					
Program direct	1,613,563	-	1,961,851	3,575,414	2,151,152
Resource development	236,797	-	-	236,797	474,966
Marketing and CBHF Gala	658,896	-	-	658,896	542,256
General and administration	475,566	-	-	475,566	690,808
Depreciation	-	212,831	-	212,831	214,053
Bad debts	55,440	-	-	55,440	2,896
Foreign exchange loss (gain)	1,659	-	-	1,659	(967)
	<u>3,041,921</u>	<u>212,831</u>	<u>1,961,851</u>	<u>5,216,603</u>	<u>4,075,164</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 199,375</b>	<b>\$ (57,605)</b>	<b>\$ -</b>	<b>\$ 141,770</b>	<b>\$ 125,774</b>

See accompanying notes to the financial statements.

# JA Canada

## Statement of changes in fund balances

Year ended June 30

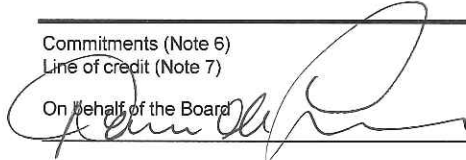
	Operating Fund	Capital Asset Fund	Restricted Fund	<b>2019 Total</b>	2018 Total
Fund balances, beginning of the year	\$ 1,263,364	\$ 153,170	\$ 280,958	\$ <b>1,697,492</b>	\$ 1,571,718
Excess (deficiency) of revenue over expenses	199,375	(57,605)	-	<b>141,770</b>	125,774
Capital assets purchased	<u>(9,029)</u>	<u>9,029</u>	-	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u><b>1,453,710</b></u>	\$ <u><b>104,594</b></u>	\$ <u><b>280,958</b></u>	\$ <u><b>1,839,262</b></u>	\$ <u><b>1,697,492</b></u>


See accompanying notes to the financial statements.

**JA Canada**  
**Statement of financial position**  
June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2019 Total	2018 Total
<b>Assets</b>					
Current					
Cash and cash equivalents	\$ 1,558,110	\$ -	\$ 292,662	\$ 1,850,772	\$ 1,276,489
Receivables					
Affiliated organizations	138,141	-	-	138,141	146,388
Other	316,168	-	37,800	353,968	214,389
Inventory	168,519	-	-	168,519	224,914
Prepays	190,315	-	40,193	230,508	173,180
	<u>2,371,253</u>	<u>-</u>	<u>370,655</u>	<u>2,741,908</u>	<u>2,035,360</u>
Investments (Note 3)	19,209	-	280,958	300,167	17,784
Capital assets (Note 4)	-	415,046	-	415,046	618,848
	<u>\$ 2,390,462</u>	<u>\$ 415,046</u>	<u>\$ 651,613</u>	<u>\$ 3,457,121</u>	<u>\$ 2,671,992</u>
<b>Liabilities</b>					
Current					
Payable and accruals	\$ 570,920	\$ -	\$ 64,224	\$ 635,144	\$ 399,205
Deferred revenue	365,832	-	306,431	672,263	109,617
	<u>936,752</u>	<u>-</u>	<u>370,655</u>	<u>1,307,407</u>	<u>508,822</u>
Long-term					
Deferred capital contributions (Note 5)	-	310,452	-	310,452	465,678
	<u>936,752</u>	<u>310,452</u>	<u>370,655</u>	<u>1,617,859</u>	<u>974,500</u>
<b>Fund balances</b>					
Invested in capital assets	-	104,594	-	104,594	153,170
Externally restricted	-	-	280,958	280,958	280,958
Internally restricted	232,470	-	-	232,470	231,646
Unrestricted	1,221,240	-	-	1,221,240	1,031,718
	<u>1,453,710</u>	<u>104,594</u>	<u>280,958</u>	<u>1,839,262</u>	<u>1,697,492</u>
	<u>\$ 2,390,462</u>	<u>\$ 415,046</u>	<u>\$ 651,613</u>	<u>\$ 3,457,121</u>	<u>\$ 2,671,992</u>

Commitments (Note 6)  
Line of credit (Note 7)

On behalf of the Board  Director

 Director

See accompanying notes to the financial statements.

# JA Canada

## Statement of cash flows

Year ended June 30

	Operating Fund	Capital Asset Fund	Restricted Fund	2019 Total	2018 Total
Increase (decrease) in cash and cash equivalents					
<b>Operating activities</b>					
Excess (deficiency) of revenue over expenses	\$ 199,375	\$ (57,605)	\$ -	\$ 141,770	\$ 125,774
Depreciation of capital assets	-	212,831	-	212,831	214,053
Net change in non-cash working capital (Note 8)	<u>364,629</u>	<u>(146,197)</u>	<u>292,662</u>	<u>511,094</u>	<u>271,038</u>
	<u>564,004</u>	<u>9,029</u>	<u>292,662</u>	<u>865,695</u>	<u>610,865</u>
<b>Investing activities</b>					
Purchase of capital assets	-	(9,029)	-	(9,029)	(5,116)
Disposition of (purchase of) investments	<u>(1,425)</u>	<u>-</u>	<u>(280,958)</u>	<u>(282,383)</u>	<u>152,613</u>
	<u>(1,425)</u>	<u>(9,029)</u>	<u>(280,958)</u>	<u>(291,412)</u>	<u>147,497</u>
Net increase (decrease) in cash and cash equivalents	562,579	-	11,704	574,283	758,362
Cash and cash equivalents, beginning of year	<u>995,531</u>	<u>-</u>	<u>280,958</u>	<u>1,276,489</u>	<u>518,127</u>
Cash and cash equivalents, end of year	\$ <u>1,558,110</u>	\$ <u>-</u>	\$ <u>292,662</u>	\$ <u>1,850,772</u>	\$ <u>1,276,489</u>

See accompanying notes to the financial statements.



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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 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 \$566,415 (2018 - \$569,728). In addition, JA has a licensing agreement with its U.S. affiliate, Junior Achievement Worldwide, to which it paid an annual licensing fee of \$161,176 (2018 - \$160,194).

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.

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### 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 restricted for donor specified program delivery support and endowment contributions. An endowment contribution stipulates that the resources contributed be permanently maintained. The endowment has two specific purposes. The first fund was established in 1987. Income from the endowment fund may only be used for research and development activities of JA.

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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 2. Summary of significant accounting policies (continued)

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

The **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 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.

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

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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 2. Summary of significant accounting policies (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 in the Operating fund and scholarship awards in the Restricted fund. The amount cannot exceed actual research and development costs incurred or scholarships awarded during the year otherwise it is recorded for future use for these purposes.

#### Cash and cash equivalents

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

#### Use of estimates

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

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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 2. Summary of significant accounting policies (continued)

#### Use of estimates (continued)

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.

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### 3. Investments

	<u>2019</u>	<u>2018</u>
Common shares	\$ 19,209	\$ 17,784
Marketable securities	<u>280,958</u>	<u>-</u>
	<u>\$ 300,167</u>	<u>\$ 17,784</u>

These financial instruments are recorded at fair market value as at June 30, 2019 and 2018.

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### 4. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Computer – hardware	\$ 113,666	\$ 106,469	\$ 7,197	\$ 3,001
Computer – software	337,476	331,217	6,259	12,518
Furniture	48,717	46,397	2,320	4,249
Equipment	4,420	3,967	453	854
Internally developed software	968,156	569,339	398,817	598,226
Leasehold improvements	<u>3,799</u>	<u>3,799</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,467,234</u>	<u>\$ 1,061,188</u>	<u>\$ 415,046</u>	<u>\$ 618,848</u>

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### 5. 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.

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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 6. Commitments

JA leases office facilities and equipment under operating lease agreements. As at June 30, 2019, the future minimum annual lease commitment remaining under these leases is as follows:

2020	\$	27,000
2021		<u>16,000</u>
	\$	<u>43,000</u>

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### 7. 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, 2019, the maximum facility remains available.

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### 8. Change in non-cash operating working capital

	<u>Operating Fund</u>	<u>Capital Asset Fund</u>	<u>Restricted Fund</u>	<u>2019</u>	<u>2018</u>
Receivables from affiliated Organizations	\$ 8,247	\$ -	-	\$ 8,247	\$ 435,244
Other receivables	(110,808)	9,029	(37,800)	(139,579)	52,633
Prepays	(17,135)	-	(40,193)	(57,328)	(30,081)
Payables and accruals	171,716	-	64,224	235,940	124,129
Inventory	56,395	-	-	56,395	(93,968)
Deferred revenue	256,214	-	306,431	562,645	(47,459)
Deferred capital contributions	<u>-</u>	<u>(155,226)</u>	<u>-</u>	<u>(155,226)</u>	<u>(169,460)</u>
	<u>\$ 364,629</u>	<u>\$ (146,197)</u>	<u>\$ 292,662</u>	<u>\$ 511,094</u>	<u>\$ 271,038</u>

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### 9. Capital

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

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

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# JA Canada

## Notes to the financial statements

June 30, 2019

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### 10. Financial instrument risk

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

#### *Credit risk*

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

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. JA is exposed to interest rate risk in respect to investments in term deposits.

#### *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.

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### 11. Comparative figures

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