

Financial Statements of

**PRESIDENT'S CHOICE CHILDREN'S
CHARITY/LA FONDATION POUR LES
ENFANTS LE CHOIX DU PRÉSIDENT**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of President's Choice Children's Charity/
La Fondation Pour Les Enfants Le Choix Du Président

Qualified Opinion

We have audited the financial statements of President's Choice Children's Charity/ La Fondation Pour Les Enfants Le Choix Du Président (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- 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 to the financial statements, including a summary of significant accounting policies

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

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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 Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2019 and December 31, 2018
- the donations revenue and excess (deficiency) of revenues over expenses reported in the statements of operations for the years ended December 31, 2019 and December 31, 2018



Page 2

- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2019 and December 31, 2018
- the excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018.

Our opinion on the financial statements for the year ended December 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

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 qualified 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.



Page 3

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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 28, 2020

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 10,082,139	\$ 10,107,473
Accounts receivable (notes 2 and 3)	1,686,055	1,568,592
Prepaid expenses	20,746	5,283
	\$ 11,788,940	\$ 11,681,348
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 2)	\$ 195,508	\$ 279,712
Grants payable	2,830,072	2,516,452
	3,025,580	2,796,164
Net assets:		
Unrestricted	4,361,610	4,722,390
Internally restricted (note 5)	1,500,387	1,759,919
Restricted	2,901,363	2,402,875
	8,763,360	8,885,184
Commitments (note 9)		
Subsequent event and contingencies (note 10)		
	\$ 11,788,940	\$ 11,681,348

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

			2019	2018
	Unrestricted	Restricted	Total	Total
Revenue:				
Donations:				
National events and promotions, gross revenue (note 4)	\$ 2,924,217	\$ –	\$ 2,924,217	\$ 2,877,641
Corporate donation (note 2)	2,000,000	–	2,000,000	2,000,000
Regional income	1,629,630	10,643,461	12,273,091	11,213,540
Interest	238,062	–	238,062	164,314
	6,791,909	10,643,461	17,435,370	16,255,495
Expenses:				
Charitable donations (note 6)	3,035,799	12,982,326	16,018,125	12,589,930
Administration	918,141	–	918,141	836,366
Fundraising - national events (note 4)	429,235	–	429,235	427,273
Marketing	191,693	–	191,693	284,249
	4,574,868	12,982,326	17,557,194	14,137,818
Excess (deficiency) of revenue over expenses before the undernoted	2,217,041	(2,338,865)	(121,824)	2,117,677
Donation of net assets from Breakfast for Learning (note 7)	–	–	–	1,865,290
Excess (deficiency) of revenue over expenses	\$ 2,217,041	\$ (2,338,865)	\$ (121,824)	\$ 3,982,967

See accompanying notes to financial statements.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRESIDENT

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

				2019	2018
	Unrestricted	Internally restricted (note 5)	Restricted	Total	Total
Net assets, beginning of year	\$ 4,722,390	\$ 1,759,919	\$ 2,402,875	\$ 8,885,184	\$ 4,902,217
Excess (deficiency) of revenue over expenses	2,217,041	—	(2,338,865)	(121,824)	3,982,967
Interfund transfers (note 5)	(2,577,821)	(259,532)	2,837,353	—	—
Net assets, end of year	\$ 4,361,610	\$ 1,500,387	\$ 2,901,363	\$ 8,763,360	\$ 8,885,184

See accompanying notes to financial statements.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRESIDENT

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (121,824)	\$ 3,982,967
Change in non-cash operating working capital	96,490	(7,631,528)
	(25,334)	(3,648,561)
Investing activities:		
Decrease in investments	—	2,206,044
Decrease in cash	(25,334)	(1,442,517)
Cash, beginning of year	10,107,473	11,549,990
Cash, end of year	\$ 10,082,139	\$ 10,107,473

See accompanying notes to financial statements.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements

Year ended December 31, 2019

President's Choice Children's Charity/La Fondation Pour Les Enfants Le Choix Du Président (the "Organization") is a charity incorporated without share capital. The Organization was previously incorporated under Part II of the Canada Corporations Act on April 10, 2000 and was continued under the Canada Not-for-profit Corporations Act on September 29, 2014. The Organization is committed to helping Canadian children live life well with a focus on children with disabilities and/or lack of access to proper nutrition.

The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Fund accounting:

(i) Unrestricted fund:

The purpose of the unrestricted fund is to record the day-to-day operations of the Organization, including the receipt and use of donations and interest with no external restrictions.

(ii) Restricted fund:

The Organization collects donations from four Canadian regions: Ontario, Western, Québec and Atlantic. Specific fundraising events stipulate that funds collected in these regions will be used for the benefit of children in these regions and have been recorded as restricted funds.

(b) Revenue recognition:

The Organization follows the restricted fund method of accounting for contributions.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

Unrestricted contributions are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue of the appropriate restricted fund when received.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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.

(d) Donated goods and services:

The Organization receives donated goods that are used in fundraising events. The fair value of these goods has not been recognized in the financial statements as it is not determinable.

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

Accounting and administrative time is donated by Loblaw Companies Limited ("Loblaw"). This donation of salary has been included in the financial statements, on a cost recovery basis.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Grants:

One-time grants are recorded as payable in the year in which they are approved. Multi-year grants are recorded as payable in the year to which the grant payment relates.

(f) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Loblaw Companies Limited:

Loblaw made a corporate donation of \$2,000,000 (2018 - \$2,000,000), which is recognized in the financial statements, to fund the cost of all administrative and some operational expenses of the Organization. Loblaw also pays certain administrative expenses on behalf of the Organization and included in accrued liabilities are \$138,140 (2018 - \$160,595).

Included in accounts receivable is \$379,000 (2018 - \$482,606) of pledges receivable from Loblaw.

3. Accounts receivable:

Accounts receivable include \$1,665,659 (2018 - \$1,512,580) of pledges receivable, the majority of which has been received subsequent to year end.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Donations:

The Organization holds several annual national fundraising events and promotions. The contributions from national events are recorded as unrestricted funds and the net proceeds are allocated to the various regions. Proceeds from national promotions are generated from sales in their respective regions and are recorded as restricted funds.

The financial results of these events were as follows:

			2019	2018
	Revenue	Expenses	Net	Net
National events:				
Bowlerama	\$ 1,027,274	\$ 60,931	\$ 966,343	\$ 945,253
Golf tournament	1,896,943	368,304	1,528,639	1,505,115
	\$ 2,924,217	\$ 429,235	\$ 2,494,982	\$ 2,450,368

5. Internally restricted funds:

Internally restricted funds represent the transfer of net proceeds allocated from the unrestricted fund to the regions, for the purpose of assisting them in funding charitable commitments. The amount allocated for the year ended December 31, 2019 totalled \$2,577,821 (2018 - \$1,557,632). Of the available funds, \$2,837,353 (2018 - \$968,684) was transferred to offset regional restricted fund deficiencies.

Interfund transfers are summarized as follows:

	Unrestricted	Internally restricted	Restricted
National events allocation	\$ (2,577,821)	\$ 2,577,821	\$ –
Offset regional restricted fund deficiencies	–	(2,837,353)	2,837,353
	\$ (2,577,821)	\$ (259,532)	\$ 2,837,353

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Regional results:

The financial results by region are summarized as follows:

2019	National	Ontario	Western	Québec	Atlantic	Total
Revenue:						
National events, net	\$ 2,494,982	\$ –	\$ –	\$ –	\$ –	\$ 2,494,982
Other	3,867,692	4,128,744	3,018,962	2,028,181	1,467,574	14,511,153
	6,362,674	4,128,744	3,018,962	2,028,181	1,467,574	17,006,135
Expenses:						
Charitable donations	3,035,799	5,977,908	3,398,161	1,648,285	1,957,972	16,018,125
Other	1,109,834	–	–	–	–	1,109,834
	4,145,633	5,977,908	3,398,161	1,648,285	1,957,972	17,127,959
Excess (deficiency) of revenue over expenses	2,217,041	(1,849,164)	(379,199)	379,896	(490,398)	(121,824)
Interfund transfer	(2,577,821)	1,753,284	480,347	–	344,190	–
	(360,780)	(95,880)	101,148	379,896	(146,208)	(121,824)
Net assets, beginning of year	4,722,390	856,704	2,041,415	1,107,650	157,025	8,885,184
Net assets, end of year	\$ 4,361,610	\$ 760,824	\$ 2,142,563	\$ 1,487,546	\$ 10,817	\$ 8,763,360
Allocated as follows:						
Unrestricted	\$ 4,361,610	\$ –	\$ –	\$ –	\$ –	\$ 4,361,610
Internally restricted	–	743,080	757,307	–	–	1,500,387
Restricted	–	17,744	1,385,256	1,487,546	10,817	2,901,363
	\$ 4,361,610	\$ 760,824	\$ 2,142,563	\$ 1,487,546	\$ 10,817	\$ 8,763,360

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Regional results (continued):

2018	National	Ontario	Western	Québec	Atlantic	Total
Revenue:						
National events, net	\$ 2,450,368	\$ –	\$ –	\$ –	\$ –	\$ 2,450,368
Other	4,502,447	4,158,606	3,152,482	2,056,682	1,372,927	15,243,144
	6,952,815	4,158,606	3,152,482	2,056,682	1,372,927	17,693,512
Expenses:						
Charitable donations	2,395,386	4,398,024	3,099,307	949,032	1,748,181	12,589,930
Other	1,120,615	–	–	–	–	1,120,615
	3,516,001	4,398,024	3,099,307	949,032	1,748,181	13,710,545
Excess (deficiency) of revenue over expenses	3,436,814	(239,418)	53,175	1,107,650	(375,254)	3,982,967
Interfund transfer	(1,557,632)	1,094,551	362,891	–	100,190	–
	1,879,182	855,133	416,066	1,107,650	(275,064)	3,982,967
Net assets, beginning of year	2,843,208	1,571	1,625,349	–	432,089	4,902,217
Net assets, end of year	\$ 4,722,390	\$ 856,704	\$ 2,041,415	\$ 1,107,650	\$ 157,025	\$ 8,885,184
Allocated as follows:						
Unrestricted	\$ 4,722,390	\$ –	\$ –	\$ –	\$ –	\$ 4,722,390
Internally restricted	–	856,704	746,190	–	157,025	1,759,919
Restricted	–	–	1,295,225	1,107,650	–	2,402,875
	\$ 4,722,390	\$ 856,704	\$ 2,041,415	\$ 1,107,650	\$ 157,025	\$ 8,885,184

7. Related entity:

In 2017, the Organization exercised control over Breakfast for Learning ("BFL"), by virtue of a common Board of Directors. BFL was a registered charity exempt from income taxes and was dedicated to child nutrition programs in Canada. In November 2017, the BFL Board of Directors approved a motion for dissolution and the Organization is directly funding the school nutrition programs. BFL has informed the Charities Directorate that it has wound-up the corporation and had its charitable status revoked as of October 20, 2018.

In 2018, BFL signed a general conveyance transferring all its remaining property to the Organization totalling \$1,865,290.

PRESIDENT'S CHOICE CHILDREN'S CHARITY/ LA FONDATION POUR LES ENFANTS LE CHOIX DU PRÉSIDENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Financial risks:

In the normal course of business, the Organization manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risks. Market risk is managed through investments in GICs with Canadian financial institutions. Accounts receivable consist of pledges receivable from suppliers and Loblaw stores. It is management's opinion that the Organization is not exposed to significant interest or credit risks arising from these financial instruments.

9. Commitments:

The Organization has made commitments to various organizations to provide them with funding in future years as follows:

2020	\$ 1,500,000
2021	3,700,000
2022	1,500,000
2023	500,000

10. Subsequent event and contingencies:

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Organization is not known at this time.