

Financial Statements

Merry-Go-Round Children's Foundation

June 30, 2016



Building a better
working world

Independent auditors' report

To the Members of
Merry-Go-Round Children's Foundation

We have audited the accompanying financial statements of **Merry-Go-Round Children's Foundation**, which comprise the balance sheet as at June 30, 2016, and the statements of operations and changes in unrestricted net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Merry-Go-Round Children's Foundation** as at June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
October 4, 2016



Merry-Go-Round Children's Foundation

Balance sheet

As at June 30

	2016	2015
	\$	\$
Assets		
Current		
Cash	178,592	206,391
Prepaid expenses	1,146	5,600
Accounts receivable	25,435	15,040
Investments <i>[note 3]</i>	14,257	2,066
Total current assets	219,430	229,097
Liabilities		
Current		
Accounts payable and accrued liabilities <i>[note 4]</i>	13,045	16,738
Deferred contributions <i>[note 5]</i>	30,000	30,000
Total current liabilities	43,045	46,738
Net assets		
Unrestricted	176,385	182,359
	219,430	229,097

See accompanying notes

On behalf of the Board:

Director

Director

Merry-Go-Round Children's Foundation

Statement of operations and changes in unrestricted net assets

Year ended June 30

	2016	2015
	\$	\$
Revenue		
Contributions <i>[note 5]</i>	187,590	198,299
Fundraising events		
Gala	193,140	188,921
Mixer	370,176	265,114
Interest and other	920	535
Realized gain (loss) on sale of investments	155	(624)
Unrealized gain (loss) on investments	1,566	(2,968)
	<u>753,547</u>	<u>649,277</u>
Expenses		
Administrative		
Office and general	123,761	82,787
Premise costs <i>[note 4]</i>	17,711	10,263
Charitable		
Kids, Cops and Computers program	408,799	363,513
Fundraising		
General expenses	115,309	123,774
Fundraising events		
Gala	51,791	48,223
Mixer	42,150	41,697
	<u>759,521</u>	<u>670,257</u>
Deficiency of revenue over expenses for the year	(5,974)	(20,980)
Unrestricted net assets, beginning of year	182,359	203,339
Unrestricted net assets, end of year	<u>176,385</u>	<u>182,359</u>

See accompanying notes

Merry-Go-Round Children's Foundation

Statement of cash flows

Year ended June 30

	2016	2015
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(5,974)	(20,980)
Add (deduct) items not affecting cash		
Receipt of contributed investments	(10,470)	(46,275)
Realized loss (gain) on sale of investments	(155)	624
Unrealized loss (gain) on investments	(1,566)	2,968
Changes in non-cash working capital balances		
Prepaid expenses	4,454	(5,091)
Accounts receivable	(10,395)	2,753
Accounts payable and accrued liabilities	(3,693)	2,694
Deferred contributions	—	30,000
Cash used in operating activities	(27,799)	(33,307)
Investing activities		
Proceeds from sale of investments	—	45,651
Cash provided by investing activities	—	45,651
Net increase (decrease) in cash during the year	(27,799)	12,344
Cash, beginning of year	206,391	194,047
Cash, end of year	178,592	206,391

See accompanying notes

Merry-Go-Round Children's Foundation

Notes to financial statements

June 30, 2016

1. Purpose of the foundation

The Merry-Go-Round Children's Foundation [the "Foundation"] receives funds from the community to provide computers and support services to socially and economically disadvantaged children, to provide a meaningful impact on their academic achievements. The Foundation was incorporated under the laws of Canada and is a charitable organization registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

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

Investment income, which consists of interest, dividends, and realized and unrealized gains and losses, is recorded in the statement of operations.

Revenue from fundraising events is recognized in the fiscal year in which the program is concluded.

Contributed materials and services

The Foundation does not account for contributed materials or services.

Financial instruments

Investments are recorded at fair value. The fair value of investments is determined based on published price quotations in an active market. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

It is management's opinion that the Foundation is not exposed to significant interest rate, currency, or credit risk arising from these financial instruments.

Cash and cash equivalents

Cash and cash equivalents represent cash and short term deposits with a maturity of three months or less from date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

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Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. Salary and benefits expenses are allocated based on the employees' role. General support and fundraising costs are not allocated.

3. Investments

Investments at fair value are as follows:

	2016	2015
	\$	\$
Cash and cash equivalents	828	—
37,068 common shares – Apogee Silver Ltd Com [2015 – nil common shares]	10,008	—
25,000 common shares – Manitou Gold Inc. [2015 – 25,000 common shares]	2,500	625
12,274 common shares – Nippon Dragon Resources Inc. [2015 – 12,274 common shares]	921	859
10,000 common shares – Oriana Resources Corp [2015 – 10,000 common shares]	—	—
50,000 common shares – Seafield Resources Ltd. [2015 – 50,000 common shares]	—	—
nil common shares – Petroamerica Oil Corp. [2015 – 5,540 common shares]	—	582
	14,257	2,066

4. Related party transactions

The Chair of the Board has an affiliation with the company in which the Foundation leased office space during the year. During the year, \$17,711 [2015 – \$10,140] of rent expense was recognized. As at June 30, nil [2015 – \$7,684] of this amount is recorded within accounts payable and accrued liabilities. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties, which the Foundation believes, is below market rates.

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5. Deferred contributions

Deferred contributions represent unspent donations restricted for use by the Kids, Cops and Computers program for fiscal 2017.

	2016	2015
	\$	\$
Balance, beginning of year	30,000	—
Contributions received during the year	65,000	30,000
Revenue recognized in the year	(65,000)	—
Balance, end of year	30,000	30,000

6. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Foundation is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Other price risk

The Foundation is exposed to other price risks through changes in market prices, other than changes arising from interest rate or currency risks, in connection with its investments.

7. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.

