

Financial statements

Merry-Go-Round Children's Foundation

June 30, 2017



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, 2017, 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, 2017, 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.

Toronto, Canada
October 4, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Merry-Go-Round Children's Foundation

Balance sheet

As at June 30

	2017	2016
	\$	\$
Assets		
Current		
Cash	127,907	178,592
Prepaid expenses	1,095	1,146
Accounts receivable	35,293	25,435
Investments <i>[note 3]</i>	10,158	14,257
	<u>174,453</u>	<u>219,430</u>
Liabilities		
Current		
Accounts payable and accrued liabilities <i>[note 4]</i>	16,444	13,045
Deferred contributions <i>[note 5]</i>	67,261	30,000
Total current liabilities	<u>83,705</u>	<u>43,045</u>
Net assets		
Unrestricted	<u>90,748</u>	176,385
	<u>174,453</u>	<u>219,430</u>

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

	2017	2016
	\$	\$
Revenue		
Contributions <i>[note 5]</i>	79,924	187,590
Fundraising events		
Gala	216,766	193,140
Mixer	412,164	370,176
Interest and other	200	920
Realized gain on sale of investments	—	155
Unrealized gain (loss) on investments	(4,099)	1,566
	<u>704,955</u>	<u>753,547</u>
Expenses		
Administrative		
Office and general	98,605	123,761
Premise costs <i>[note 4]</i>	17,648	17,711
Charitable		
Kids, Cops and Computers program	451,476	408,799
Fundraising		
General expenses	113,866	115,309
Fundraising events		
Gala	52,669	51,791
Mixer	56,328	42,150
	<u>790,592</u>	<u>759,521</u>
Deficiency of revenue over expenses for the year	(85,637)	(5,974)
Unrestricted net assets, beginning of year	176,385	182,359
Unrestricted net assets, end of year	<u>90,748</u>	<u>176,385</u>

See accompanying notes

Merry-Go-Round Children's Foundation

Statement of cash flows

Year ended June 30

	2017	2016
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(85,637)	(5,974)
Add (deduct) items not affecting cash		
Receipt of contributed investments	—	(10,470)
Realized gain on sale of investments	—	(155)
Unrealized loss (gain) on investments	4,099	(1,566)
Changes in non-cash working capital balances related to operations		
Prepaid expenses	51	4,454
Accounts receivable	(9,858)	(10,395)
Accounts payable and accrued liabilities	3,399	(3,693)
Deferred contributions	37,261	—
Cash used in operating activities	(50,685)	(27,799)
Net decrease in cash during the year	(50,685)	(27,799)
Cash, beginning of year	178,592	206,391
Cash, end of year	127,907	178,592

See accompanying notes

Merry-Go-Round Children's Foundation

Notes to financial statements

June 30, 2017

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 *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", 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 and changes in unrestricted net assets.

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 values 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 risk, currency risk, 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 the 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:

	2017	2016
	\$	\$
Cash and cash equivalents	828	828
Equities	9,330	13,429
	10,158	14,257

4. Related party transactions

The Chair of the Board of Directors has an affiliation with the company in which the Foundation leased office space during the year. During the year, \$17,648 [2016 – \$17,771] of rent expense was recognized. As at June 30, \$1,439 [2016 – nil] 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.

5. Deferred contributions

Deferred contributions represent unspent donations restricted for use by the Kids, Cops and Computers program for fiscal 2018.

	2017	2016
	\$	\$
Balance, beginning of year	30,000	30,000
Contributions received during the year	64,977	65,000
Revenue recognized in the year	(27,716)	(65,000)
Balance, end of year	67,261	30,000

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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 risk through changes in market prices, other than changes arising from interest rate risk or currency risk, in connection with its investments.

