

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

Financial Statements (unaudited)
for the Year Ended December 31, 2016
and Review Engagement Report

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)
FINANCIAL STATEMENTS
DECEMBER 31, 2016
(unaudited)

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DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

REVIEW ENGAGEMENT REPORT

To the Directors of Mentoring Juniors Kids Organization (MJKO):

We have reviewed the statement of financial position of Mentoring Juniors Kids Organization (MJKO) as at December 31, 2016 and the statements of operations, changes in net assets and of cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

January 31, 2017

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016
(unaudited)

	<u>2016</u>	<u>2015</u>
DONATION REVENUE		
Donations - cash	\$ 213,965	\$ 140,363
Donations - in-kind (Note 2)	9,215	5,130
	223,180	145,493
OTHER REVENUE		
Fundraising	-	20
Merchandise sales	608	2,210
Other income	2,441	1,311
	3,049	3,541
TOTAL REVENUE	226,229	149,034
CHARITABLE PROGRAM EXPENSES		
Advertising	144	786
Cost of goods sold (Note 1)	6,466	1,128
Facilities and equipment rentals	2,302	768
Insurance	5,073	3,030
Materials	541	483
Program delivery	156,335	102,758
Telecommunications	1,685	1,714
Vehicle and travel	3,192	4,028
Volunteer development	3,737	2,935
	179,475	117,630
ADMINISTRATIVE EXPENSES		
Amortization	3,168	1,053
Office and general	2,937	1,112
Parking and utilities	95	-
Professional fees	3,118	3,339
	9,318	5,504
TOTAL EXPENSES	188,793	123,134
EXCESS OF REVENUE OVER EXPENSES	\$ 37,436	\$ 25,900

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016
(unaudited)

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	\$ 57,241	\$ 31,341
EXCESS OF REVENUES OVER EXPENSES	37,436	25,900
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 94,677	\$ 57,241

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(unaudited)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 89,401	\$ 67,606
Accounts receivable	39,645	15,687
Sales tax recoverable	9,224	4,297
Merchandise inventory (Note 1)	1,770	3,261
Prepaid expenses	1,939	8,968
	141,979	99,819
Capital Assets (Note 3)	19,741	1,116
	\$ 161,720	\$ 100,935
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,217	\$ 3,503
Government remittances payable	427	-
Deferred revenue (Note 4)	60,399	40,191
	67,043	43,694
NET ASSETS		
Unrestricted	94,677	57,241
	\$ 161,720	\$ 100,935

Approved by the Board:

..... DirectorDirector

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(unaudited)

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 37,436	\$ 25,900
Items not affecting cash		
Amortization	3,168	1,053
Contributed equipment	-	(999)
	40,604	25,954
Changes in non-cash operating assets and liabilities		
Accounts receivable	(23,958)	(15,322)
Merchandise inventory	1,491	1,128
Prepaid expenses	7,029	(7,081)
Sales tax receivable	(4,927)	(2,107)
Accounts payable and accrued liabilities	2,714	(688)
Deferred revenue	20,208	30,307
Government remittances	427	-
	43,588	32,191
INVESTING ACTIVITIES		
Purchase of capital assets	(21,793)	-
INCREASE IN CASH	21,795	32,191
CASH, BEGINNING OF YEAR	67,606	35,415
CASH, END OF YEAR	\$ 89,401	\$ 67,606

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

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

Purpose of the organization

Mentoring Juniors Kids Organization (MJKO) (the "Organization") was incorporated without share capital under the Ontario Corporations Act on October 22, 2010 and is a registered charity under the Canadian Income Tax Act. Its mandate is to shape and educate youth through the sport of non-contact boxing while providing mentoring and leadership training programs in a safe and caring learning environment.

The Organization is engaged primarily in three activities, which are as follows:

- a) To educate youths by providing mentoring and leadership training programs.
- b) To educate youths on the benefits of physical activity and healthy food choices.
- c) To train police officers, students and community volunteers on the importance of community involvement in "at risk" areas.

Revenue recognition

The Organization recognizes contributions in accordance with the deferral method. Fundraising revenues, programs and workshops revenues and merchandise sales are recognized as they are earned. Contributed materials and services are recognized as revenue when a fair value can be reasonably estimated, when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Unrestricted contributions represent funds available for general purpose use and reflect the transactions associated with the operating activities of the Organization. Unrestricted funds are recognized as revenue when received or receivable, if the amount to be recorded can be reasonably estimated and collection is reasonably assumed.

Restricted contributions that have been externally restricted to fund specific objectives and programs or for which relate to expenditures of future periods are recognized in the year in which the related expenses outlined by the funding restrictions are incurred by the Organization.

Donated Services

The work of the Organization is dependent on the services of volunteers to carry out its operations and fundraising activities. The value of donated services is not recognized in these statements, as the fair value can not be reasonably estimated.

Merchandise Inventory

Inventory consists of boxing equipment and supplies, including gloves, wraps, pads, gym bags, mouth guards, winter hats and shirts. Inventory is valued at the lower of cost and current replacement cost. The cost of inventory includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined by using average cost. The amount of inventory expensed during the year ended December 31, 2016 was \$6,466 (2015 - \$1,128).

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Capital assets

Capital assets are stated at cost. Capital assets are depreciated using the diminishing-balance method. The rates used are as follows:

Furniture and equipment	30%
Gym equipment	20%
Vehicle	30%

In the year of acquisition, depreciation is calculated at one-half the normal rates.

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Financial instruments

(a) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

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

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Use of estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for such items as determination of revenue recognition, allowances for accounts receivable, determination of useful life of capital assets and accrued liabilities.

2. DONATIONS - IN-KIND

During the year ended December 31, 2016, the Organization received various donations in-kind which were recognized as donation revenue based on their fair value. The Organization received the following:

- a) Program and workshop supplies with a fair value of \$8,644.
- b) Various miscellaneous items with an aggregate fair value of \$571.

3. CAPITAL ASSETS

	Annual Depreciation Rates	2016		2015	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and equipment	30%	\$ 4,960	\$ 3,229	\$ 3,843	\$ 2,727
Gym equipment	20%	8,722	872	-	-
Vehicles	30%	11,953	1,793	3,500	3,500
		25,635	5,894	7,343	6,227
Net book value			\$ 19,741		\$ 1,116

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

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4. DEFERRED REVENUE

Deferred revenue represents grants received by the Organization for the purpose of funding specific programs and initiatives, which the Organization has been unable to utilize during the fiscal year. As at December 31, 2016, deferred revenue for which the related funding expenditures remain unspent are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 40,191	\$ 9,884
Deferred grants received during the year	107,400	82,275
Deferred grants included in income during the year	(87,192)	(51,968)
	\$ 60,399	\$ 40,191

5. RELATED PARTY TRANSACTIONS

During the year, the Organization had the following related party transactions:

- a) Received cash donations of \$240 (2015 - \$3,265) from members of the Board of Directors.
- b) Received cash donations of \$153 (2015 - \$448) from the Executive Director.
- c) Received donations in-kind with a market value of \$126 (2015 - \$143) from members of the Board of Directors.
- d) Program delivery includes fees of \$42,246 (2015 - \$41,827) paid to Team Kamal, a related corporation controlled by the Executive Director for the program manager position.

All related party transactions were completed in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(unaudited)

6. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable.

(b) Other risks:

It is management's opinion that the Organization is not exposed to significant interest, market, currency or liquidity risks arising from its financial instruments

7. INCOME TAXES

The Organization is exempt from income taxes by virtue of section 149(1)(l) of the Income Tax Act as a not-for-profit organization.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

The prior year financial statements were reported on by another Chartered Professional Accountant.
