MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

Financial Statements
for the Years Ended December 31, 2018 and 2017
and Independent Auditor's Report to the Directors

DURWARD JONES BARKWELL & COMPANY LLP Chartered Professional Accountants

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

CONTENTS

CHARTERED PROFESSIONAL ACCOUNTANTS

DURWARD JONES BARKWELL & COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion
We have audited the accompanying financial statements of Mentoring Juniors Kids Organization (MJKO) (the Entity), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion
In common with many not-for-profit 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 donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

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 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 in our audit is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter
The financial statements of the Entity for the year ended December 31, 2016, were unaudited and a review engagement report with an unmodified conclusion was issued on January 31, 2017.

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 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.

Auditor's 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 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 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 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 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.

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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

March 27, 2019

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
DONATION REVENUE		
Corporate contributions	**$ 194,244**	$ 131,473
Donations-in-kind (Note 2)	**30,208**	814
Government grants (Note 3)	**160,150**	175,784
Individual donors	**16,780**	5,581
	401,382	313,652
OTHER REVENUE		
Other income	**11,567**	2,658
	11,567	2,658
TOTAL REVENUE	**412,949**	316,310
CHARITABLE PROGRAM EXPENSES		
Advertising	**-**	22
Cost of merchandise sold (Note 1)	**1,045**	3,035
Facilities and equipment rentals	**777**	1,055
Insurance	**7,721**	4,461
Program delivery	**137,939**	105,155
Program wages	**145,344**	122,660
Telecommunications	**2,252**	267
Vehicle and travel	**4,254**	2,757
Volunteer development	**14,834**	10,071
	314,166	249,483
ADMINISTRATIVE EXPENSES		
Depreciation	**4,718**	5,424
Office and general	**1,498**	555
Professional fees	**3,118**	3,118
	9,334	9,097
TOTAL EXPENSES	**323,500**	258,580
EXCESS OF REVENUE OVER EXPENSES	**$ 89,449**	$ 57,730

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**$ 152,407**	$ 94,677
EXCESS OF REVENUES OVER EXPENSES	**89,449**	57,730
UNRESTRICTED NET ASSETS, END OF YEAR	**$ 241,856**	$ 152,407

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

		2018		2017
ASSETS				
Current assets				
Cash	$	223,094	$	159,812
Accounts receivable		10,249		27,544
Sales tax recoverable		16,244		7,677
Merchandise inventory		1,891		3,096
Prepaid expenses		3,206		2,655
		254,684		200,784
Equipment and vehicles (Note 4)		16,137		15,358
	$	270,821	$	216,142
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	3,162	$	6,859
Government remittances payable		1,141		2,465
Deferred revenue (Note 5)		24,662		54,411
		28,965		63,735
NET ASSETS				
Unrestricted		241,856		152,407
	$	270,821	$	216,142

Approved by the Board:

Brian H Jollymore .... Director ....Director

.... Director ....
Director

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 89,449**	$ 57,730
Depreciation, an item not affecting cash	**4,718**	5,424
	94,167	63,154
Changes in non-cash operating assets and liabilities		
Accounts receivable	**17,295**	12,101
Sales tax receivable	**(8,567)**	1,547
Merchandise inventory	**1,205**	(1,326)
Prepaid expenses	**(551)**	(716)
Accounts payable and accrued liabilities	**(3,697)**	642
Government remittances	**(1,324)**	2,038
Deferred revenue	**(29,749)**	(5,988)
	68,779	71,452
INVESTING ACTIVITIES		
Purchase of capital assets		
Other fixed assets	**-**	(1,041)
Leasehold improvements	**(5,497)**	-
	(5,497)	(1,041)
INCREASE IN CASH	**63,282**	70,411
CASH, BEGINNING OF YEAR	**159,812**	89,401
CASH, END OF YEAR	**$ 223,094**	$ 159,812

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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. Corporate contributions and government grants are recognized as they are earned. The grants can be unrestricted or restricted contributions.

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 assured.

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

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
Merchandise 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, 2018 was $1,045 (2017 - $3,035).

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Equipment and vehicles

Equipment and vehicles are stated at cost. Equipment and vehicles are depreciated using the diminishing-balance method. The rates used are as follows:

Gym equipment	20%
Furniture and equipment	30%
Vehicle	30%
Computer equipment	55%
Leasehold improvements	S/L 5 years

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 payable.

(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, 2018 and 2017

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 equipment and vehicles and accrued liabilities.

2. DONATIONS-IN-KIND

During the year, the Organization received various donations in-kind which were recognized as donation revenue based on their fair value. The Organization received various miscellaneous items with an aggregate fair value of $30,208 (2017 - $814).

3. GOVERNMENT GRANTS

Included in government grants are donations received from the City of Toronto, Investing in Neighbourhoods in the amount of $30,744 (2017 - $19,667) with funds being used for program positions.

4. EQUIPMENT AND VEHICLES

	Annual Depreciation Rates	2018 Cost	2018 Accumulated Depreciation	2017 Cost	2017 Accumulated Depreciation
Gym equipment	20%	**$ 8,722**	**$ 3,698**	$ 8,722	$ 2,442
Furniture and equipment	30%	**4,960**	**4,112**	4,960	3,749
Vehicle	30%	**11,953**	**6,975**	11,953	4,841
Computer equipment	55%	**1,041**	**702**	1,041	286
Leasehold improvements	S/L 5 years	**5,498**	**550**	-	-
		32,174	**16,037**	26,676	11,318
Net book value			**$ 16,137**		$ 15,358

MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

5. DEFERRED REVENUE

Deferred revenue represents grants received by the Organization for the purpose of funding specific programs and initiatives that the Organization has been unable to utilize during the fiscal year. As at December 31, 2018, deferred revenue for which the related funding expenditures remain unspent are as follows:

	2018	2017
Balance, beginning of year	**$ 54,411**	$ 60,399
Deferred grants received during the year	**124,800**	167,540
Deferred grants included in income during the year	**(153,585)**	(173,528)
Balance, end of year	**$ 25,626**	$ 54,411

6. RELATED PARTY TRANSACTIONS

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

a) Received cash donations of $1,880 (2017 - $240) from members of the Board of Directors.

b) Received cash donations of $80 (2017 - $540) from an employee.

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, 2018 and 2017

7. 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.

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.

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.

8. 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.

9. COMPARATIVE FIGURES

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