

# **MENTORING JUNIORS KIDS ORGANIZATION (MJKO)**

Financial Statements  
for the Year Ended December 31, 2022  
and Independent Auditor's Report to the Directors

**MENTORING JUNIORS KIDS ORGANIZATION (MJKO)**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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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, 2022 and the statements of operations, changes in net assets and cash flows for the year 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, 2022, 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.

### **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 ending December 31, 2021 and 2022, current assets as at December 31, 2021 and 2022, and net assets as at January 1 and December 31 for both 2021 and 2022 years. Our conclusion on the financial statements as at and for the year ended December 31, 2021 was modified 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 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.

### **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**

**February 28, 2023**

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<b>DONATION REVENUE</b>		
Corporate contributions	\$ 123,798	\$ 112,424
Donations-in-kind (Note 2)	4,209	226,586
Government grants (Note 3)	24,785	23,273
Individual donors	95,363	89,538
	<b>248,155</b>	451,821
<b>PROGRAM INCOME</b>	<b>25,607</b>	73,895
<b>OTHER INCOME</b>	<b>491</b>	2,917
<b>TOTAL REVENUE</b>	<b>274,253</b>	528,633
<b>CHARITABLE PROGRAM EXPENSES</b>		
Cost of merchandise sold	216	438
COVID-19 expenses (Emergency Food Program)	-	237,261
Facilities and equipment rentals	-	259
Insurance	3,360	4,638
Program delivery	57,173	68,508
Program wages	150,026	161,179
Telecommunications	1,700	1,662
Vehicle and travel	3,394	3,155
Volunteer development	903	370
	<b>216,772</b>	477,470
<b>ADMINISTRATIVE EXPENSES</b>		
Depreciation	18,810	16,249
Office and general	1,097	1,390
Professional fees	7,899	7,996
	<b>27,806</b>	25,635
<b>TOTAL EXPENSES</b>	<b>244,578</b>	503,105
<b>INCOME FROM OPERATIONS</b>	<b>29,675</b>	25,528
<b>LOSS ON DISPOSAL OF VEHICLE</b>	<b>-</b>	(1,239)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 29,675</b>	\$ 24,289

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<b>\$ 239,148</b>	<b>\$ 214,859</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>29,675</b>	<b>24,289</b>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<b>\$ 268,823</b>	<b>\$ 239,148</b>



# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

ASSETS	2022	2021
<b>Current assets</b>		
Cash	\$ 246,269	\$ 203,341
Accounts receivable	-	300
Sales tax recoverable	5,254	8,355
Merchandise inventory	2,052	2,269
Prepaid expenses	4,727	5,091
	<b>258,302</b>	<b>219,356</b>
Equipment, vehicle and leasehold improvements (Note 4)	<b>37,028</b>	<b>54,658</b>
	<b>\$ 295,331</b>	<b>\$ 274,014</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,891	\$ 6,570
Government remittances payable	2,597	2,689
Deferred revenue (Note 5)	18,020	25,607
	<b>26,508</b>	<b>34,866</b>
<b>UNRESTRICTED NET ASSETS</b>	<b>268,823</b>	<b>239,148</b>
	<b>\$ 295,331</b>	<b>\$ 274,014</b>

Approved by the Board:

*Brian Johnson* *Bonnie Chinn*  
 Director Director

*[Signature]*  
 Director

*[Signature]*  
 Director

*[Signature]*  
 Director

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 29,675	\$ 24,289
Items not affecting cash		
Depreciation	18,810	16,249
Loss on disposal of vehicle	-	1,239
	<b>48,485</b>	41,777
Changes in non-cash operating assets and liabilities		
Accounts receivable	300	(300)
Sales tax recoverable	3,101	(1,227)
Merchandise inventory	217	852
Prepaid expenses	364	(1,982)
Accounts payable and accrued liabilities	(679)	510
Government remittances payable	(92)	(653)
Deferred revenue	(7,587)	5,834
	<b>44,109</b>	44,811
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets		
Furniture and equipment	-	(4,945)
Computer equipment	(1,181)	(1,215)
Vehicles	-	(27,697)
Proceeds on sale of capital assets	-	1,200
	<b>(1,181)</b>	(32,657)
<b>INCREASE IN CASH</b>	<b>42,928</b>	12,154
<b>CASH, BEGINNING OF YEAR</b>	<b>203,341</b>	191,187
<b>CASH, END OF YEAR</b>	<b>\$ 246,269</b>	<b>\$ 203,341</b>



# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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## 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.

### ***Nature and purpose of the organization***

Mentoring Juniors Kids Organization (MJKO) (the Entity) 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 Entity 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 Entity 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 Entity's operations and would otherwise have been purchased. Individual contributions, 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 Entity. 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 Entity 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. 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, 2022 was \$216 (2021 - \$438).

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

## ***Equipment, vehicles and leasehold improvements***

Equipment, vehicles and leasehold improvements are stated at cost. Equipment and vehicle are depreciated using the diminishing-balance method. Leasehold improvements are depreciated on a straight-line basis. 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**

#### **Initial measurement**

The Entity initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Entity is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Entity in the transaction.

#### **Subsequent measurement**

The Entity subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Financial assets measured at amortized cost include cash.

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

### **(b) Impairment**

For financial assets measured at cost or amortized cost, the Entity determines whether there are indications of possible impairment. When there are, and the Entity determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

## **Government assistance**

Government assistance related to current expenses or revenues are included in the determination of net income for the period. When government assistance relates to expenses of future accounting periods, the appropriate amounts shall be deferred and amortized to income as related expenses are incurred.

## **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, vehicle, and leasehold improvements and accrued liabilities.

## **2. DONATIONS-IN-KIND**

During the year, the Entity received various donations in-kind which were recognized as donation revenue based on their fair value. The Entity received various miscellaneous items with an aggregate fair value of \$4,209 (2021 - \$226,586).

## **3. GOVERNMENT GRANTS**

Included in the current year's government grants are amounts received from the Canada Summer Jobs program in the amounts of \$24,785 (2021 - \$23,273) with funds being used for instructors' salary.

## **4. EQUIPMENT, VEHICLE AND LEASEHOLD IMPROVEMENTS**

	<u>2022</u>		<u>2021</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Gym equipment	\$ 8,722	\$ 6,664	\$ 8,722	\$ 6,150
Furniture and equipment	21,567	13,564	21,567	10,134
Vehicle	27,697	11,217	27,697	4,155
Computer equipment	5,804	4,363	4,623	3,323
Leasehold improvements	33,821	24,774	33,821	18,010
	<b>\$ 97,611</b>	<b>\$ 60,582</b>	<b>\$ 96,430</b>	<b>\$ 41,772</b>
Net book value		<b>\$ 37,029</b>		<b>\$ 54,658</b>

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

## 5. DEFERRED REVENUE

Deferred revenue represents grants received by the Entity for the purpose of funding specific programs and initiatives during the current year, that relate to expenses to be incurred in the future. Deferred revenue for which the related funding expenditures remain unspent are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 25,607	\$ 19,773
Deferred grants received during the year	18,020	79,729
Deferred grants included in income during the year	(25,607)	(73,895)
Balance, end of year	<b>\$ 18,020</b>	<b>\$ 25,607</b>

## 6. RELATED PARTY TRANSACTIONS

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

- a) Received cash donations of \$3,115 (2021 - \$2,465) from members of the Board of Directors.
- b) Received cash donations of \$2,600 (2021 - \$2,602) from employees. Included in this amount are cash donations from Miranda Kamal of \$1,250, Anna Zhang of \$50 and Damon Fabrizi of \$1,300.

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.

## 7. FINANCIAL RISK MANAGEMENT

The Entity 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.

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

## 8. INCOME TAXES

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

# MENTORING JUNIORS KIDS ORGANIZATION (MJKO)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

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## 9. IMPACT OF COVID-19 PANDEMIC

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Entity for future periods.

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