
**STEPHEN LEACOCK FOUNDATION
FOR CHILDREN**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Stephen Leacock Foundation for Children,

Opinion

We have audited the financial statements of Stephen Leacock Foundation for Children (the organization), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of Stephen Leacock Foundation for Children as at December 31, 2020 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 Opinion

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 organization 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 is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 organization 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.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

January 18, 2022
Toronto, Ontario

STEPHEN LEACOCK FOUNDATION FOR CHILDREN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

2020

2019

ASSETS

Current assets		
Cash	\$ 374,232	\$ 198,196
Marketable securities (note 4)	167,578	155,414
Canada Emergency Wage Subsidy receivable	16,218	-
HST rebate recoverable	19,344	17,037
Prepaid expenses	<u>32,075</u>	<u>4,000</u>
	<u>\$ 609,447</u>	<u>\$ 374,647</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities (note 2)	\$ 26,586	\$ 19,663
Deferred contributions (note 5)	<u>57,758</u>	<u>91,791</u>
	<u>84,344</u>	<u>111,454</u>
 Net assets		
Unrestricted	<u>525,103</u>	<u>263,193</u>
	<u>\$ 609,447</u>	<u>\$ 374,647</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

STEPHEN LEACOCK FOUNDATION FOR CHILDREN**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
REVENUE		
Donations	\$ 696,016	\$ 638,027
Fundraising activities and special events	146,410	322,493
Ontario Trillium Foundation grant	81,433	91,909
Canada Emergency Wage Subsidy (CEWS)	51,404	-
Investment income	<u>979</u>	<u>3,228</u>
Total revenue	<u>976,242</u>	<u>1,055,657</u>
Deduct direct fundraising activities and special events expenses (notes 2 and 6)	<u>(62,892)</u>	<u>(132,144)</u>
Net revenue	<u>913,350</u>	<u>923,513</u>
EXPENSES (notes 2 and 6)		
Program support funding	527,222	738,366
Office and general	124,218	119,717
Marketing and indirect fundraising	<u>-</u>	<u>24,736</u>
	<u>651,440</u>	<u>882,819</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	261,910	40,694
Net assets, beginning of year	<u>263,193</u>	<u>222,499</u>
NET ASSETS, END OF YEAR	<u>\$ 525,103</u>	<u>\$ 263,193</u>

see accompanying notes

STEPHEN LEACOCK FOUNDATION FOR CHILDREN**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 261,910	\$ 40,694
Net change in non-cash working capital items:		
Canada Emergency Wage Subsidy receivable	(16,218)	-
HST rebate recoverable	(2,307)	7,546
Prepaid expenses	(28,075)	(4,000)
Accounts payable and accrued liabilities	6,923	(17,120)
Deferred contributions	<u>(34,033)</u>	<u>(993)</u>
Net cash generated from operating activities	188,200	26,127
INVESTING ACTIVITIES		
Proceeds from sale (purchase) of marketable securities	<u>(12,164)</u>	<u>67,471</u>
NET INCREASE IN CASH FOR THE YEAR		
Cash, beginning of year	<u>198,196</u>	<u>104,598</u>
CASH, END OF YEAR	<u>\$ 374,232</u>	<u>\$ 198,196</u>

see accompanying notes

STEPHEN LEACOCK FOUNDATION FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Stephen Leacock Foundation for Children (the Foundation) is incorporated without share capital in the Province of Ontario. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The Foundation was established in Toronto in 1992, with the objective to use funds for charitable purposes dedicated to helping disadvantaged youth.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The Foundation follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received. Donated materials and services which are normally purchased by the Foundation are not recorded in the accounts. CEWS revenue is recognized in the period to which it relates.

Special events

Special event revenue is recognized in the period in which the event is held.

Investment income

Investment income comprises interest from cash and money market mutual funds. Interest income is recognized as revenue when earned.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Foreign exchange gains and losses are included in the statement of operations.

Allocation of expenses

Personnel expenses are allocated to various activities based on the proportional hours spent on each.

2. TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties are carried out in the normal course of operations and are recorded at an exchange value, which approximates fair value. Included in the statement of operations are expenses of \$69,189 paid by the Foundation to companies founded by a member of the Board of Directors, for reimbursement of payroll, event catering and venue rental (\$154,162 in 2019). No amounts were payable to related parties as at December 31, 2020 (\$nil payable as at December 31, 2019).

STEPHEN LEACOCK FOUNDATION FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

3. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The Foundation's financial instruments include cash, marketable securities, accounts payable and accrued liabilities. Marketable securities comprise money market mutual funds. Accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Money market mutual funds are initially recorded at fair value and subsequently measured at fair market value, determined by reference to published price quotations in an active market at period end.

The Foundation is exposed to foreign currency fluctuations related to financial commitments (in South African Rand) made to programs it supports in South Africa. The Foundation does not hedge any financial instruments to mitigate foreign currency risk.

4. MARKETABLE SECURITIES

Marketable securities are as follows:

	2020	2019
Money market mutual funds	\$ 156,392	\$ 155,414
Canadian equities	<u>11,186</u>	-
	<u>\$ 167,578</u>	<u>\$ 155,414</u>

5. DEFERRED CONTRIBUTIONS

Deferred contributions as at December 31 are as follows:

	2020	2019
Ontario Trillium Foundation	\$ 27,758	\$ 66,791
Douglas Foundation	15,000	-
Nicola Wealth	<u>15,000</u>	<u>25,000</u>
	<u>\$ 57,758</u>	<u>\$ 91,791</u>

Continuity of deferred contributions for the year is as follows:

	2020	2019
Deferred contributions, beginning of year	\$ 91,791	\$ 52,900
Add cash received from donations	661,983	676,918
Less donation revenue recognized	<u>(696,016)</u>	<u>(638,027)</u>
Deferred contributions, end of year	<u>\$ 57,758</u>	<u>\$ 91,791</u>

STEPHEN LEACOCK FOUNDATION FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. ALLOCATION OF PERSONNEL COSTS

During the year, personnel costs were allocated to the following activities:

	2020	2019
Program support funding	\$ 154,507	\$ 136,413
Office and general	52,260	66,758
Fundraising activities and special events	<u>32,369</u>	<u>57,353</u>
	<u>\$ 239,136</u>	<u>\$ 260,524</u>

7. RENT EXPENSE

On a year to year basis, the Foundation sublets office space in Toronto, Canada. Annual rent expense for fiscal 2021 is approximately \$16,800.