

Smilezone Foundation
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Board of Directors of Smilezone Foundation

We have audited the accompanying financial statements of Smilezone Foundation, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in 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.

Auditor's 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 auditor's 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 auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Smilezone Foundation 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 Smilezone Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, deficiency of revenue over expenditures and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.



Independent Auditor's Report

(continued)

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Smilezone Foundation as at December 31, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
April 9, 2018

Smilezone Foundation
Statement of Financial Position

December 31 **2017** **2016**

Assets

Current

Cash	\$	216,636	\$	38,408
Harmonized sales tax receivable		89,081		98,151
		305,717		136,559

Due from related party		-		5,138
Capital assets		1,258		-

	\$	306,975	\$	141,697
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	118,902	\$	115,730
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Net assets

Unrestricted funds		188,073		25,967
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	\$	306,975	\$	141,697
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On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Smilezone Foundation
Statement of Operations and Changes in Net Assets

For the year ended December 31 **2017** **2016**

	Construction Builds	General Fundraising	Total	Total
Revenue				
Donations	\$ -	\$ 624,944	\$ 624,944	\$ 425,775
Golf tournament	-	338,514	338,514	348,308
Hockey tournament	-	182,269	182,269	143,491
Corporate Sponsors	-	276,917	276,917	-
	-	1,422,644	1,422,644	917,574
Expenditures				
Accounting and legal	8,813	1,555	10,368	28,059
Advertising and promotion	23,334	4,130	27,464	8,020
Consulting fees	-	-	-	88,202
Credit card fees	1,843	1,843	3,686	12,458
Interest and bank charges	771	772	1,543	230
Materials	351,550	-	351,550	289,667
Office supplies and general	1,194	7,091	8,285	20,372
Salaries and benefits	73,733	31,980	105,713	109,323
Sub-trades	558,710	-	558,710	585,076
Tournament expenses	-	183,722	183,722	149,281
Travel	6,246	3,251	9,497	6,764
	1,026,194	234,344	1,260,538	1,297,452
Excess (deficiency) of revenue over expenditures for the year			162,106	(379,878)
Net assets, beginning of year			25,967	405,845
Net assets, end of year			\$ 188,073	\$ 25,967

The accompanying notes are an integral part of these financial statements.

Smilezone Foundation Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 162,106	\$ (379,878)
Adjustments required to reconcile deficiency of revenue over expenditures with net cash provided by operating activities		
Changes in non-cash working capital balances		
Interest receivable	-	1,050
Harmonized sales tax receivable	9,070	(73,835)
Prepaid expenses	-	1,910
Due from related party	5,138	(5,138)
Accounts payable and accrued liabilities	3,172	19,344
	179,486	(436,547)
Investing activity		
Purchase of capital assets	(1,258)	-
Redemption of investment	-	440,734
	(1,258)	440,734
Increase in cash during the year	178,228	4,187
Cash, beginning of year	38,408	34,221
Cash, end of year	\$ 216,636	\$ 38,408

The accompanying notes are an integral part of these financial statements.

Smilezone Foundation

Notes to Financial Statements

December 31, 2017

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

The Smilezone Foundation (the "Foundation") is a charity incorporated without share capital under the Canada Not-for-profit Corporations Act. The Foundation's purpose is to create, build, and transform areas (zones) in hospitals, private treatment and development centres and children clinics, in order to improve the lives of children facing illness, disabilities, physical and emotional obstacles. The Foundation is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include golf and hockey tournament proceeds and donations. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest is recorded as it is earned.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. All bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Capital assets

The historical cost and accumulated amortization of capital assets are not reported.

Capital assets are reported as expenditures on the statement of operations in the year of acquisition.

Smilezone Foundation

Notes to Financial Statements

December 31, 2017

1. Nature of Operations and Summary of Significant Accounting Policies (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.

Allocation of Expenses

The Foundation reports expenses based on various operating functions as disclosed on the statement of operations. Costs for each function include salaries and benefits and various other expenses that are directly attributable to the function. The Foundation also incurs a number of general support expenses that are common to various functions. The Foundation allocates certain common general support expenses based on the following:

	Construction Builds	General Fundraising
Accounting and legal	85%	15%
Advertising and promotion	85%	15%
Credit card fees	50%	50%
Interest and bank charges	50%	50%
Office supplies and general	50%	50%
Salaries and benefits	70%	30%

2. Related Party Transactions

The Foundation receives project management and office space at no cost from a corporation controlled by a Director of the Foundation.

The amount due from related party is owed from Smilezone Foundation USA, which is an independent corporation incorporated without share capital and has some common Board of Directors. The Foundation has waived the right to demand repayment within the next fiscal year. The balance of \$nil (2016 - \$5,138) is non-interest bearing with no fixed terms of repayment and is unsecured.