

**Smilezone Foundation**  
**Financial Statements**  
For the year ended December 31, 2018

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## Independent Auditor's Report

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To the Board of Directors of Smilezone Foundation

### Qualified Opinion

We have audited the accompanying financial statements of Smilezone Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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 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 the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditures, 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. Our audit opinion on the financial statements for the year ended December 31, 2017 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 Foundation 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 qualified audit 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting PROCESS.

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## Independent Auditor's Report (continued)

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### 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 Foundation'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 Foundation'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 Foundation 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.


*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Mississauga, Ontario  
March 25, 2019

**Smilezone Foundation**  
**Statement of Financial Position**

December 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 650,131	\$ 216,636
Harmonized sales tax receivable	66,079	89,081
	716,210	305,717
<b>Capital assets</b>	629	1,258
	\$ 716,839	\$ 306,975
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 83,424	\$ 118,902
Deferred contributions	10,000	-
	93,424	118,902
<b>Net assets</b>		
Unrestricted funds	623,415	188,073
	\$ 716,839	\$ 306,975

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** 2018 2017

	Construction Builds	General Fundraising	Total	Total
<b>Revenue</b>				
Donations	\$ -	\$ 399,483	\$ 399,483	\$ 624,944
Special Events	-	540,904	540,904	520,783
Corporate Sponsorship	-	416,184	416,184	276,917
Third Party Events	-	49,189	49,189	-
Lottery	-	20,975	20,975	-
	-	1,426,735	1,426,735	1,422,644
<b>Expenditures</b>				
Accounting and legal	8,629	1,523	10,152	10,368
Advertising and promotion	3,900	11,066	14,966	27,464
Credit card fees	4,320	4,320	8,640	3,686
Interest and bank charges	730	730	1,460	1,543
Materials	347,969	-	347,969	351,550
Lottery	-	9,419	9,419	-
Office supplies and general	19,288	8,266	27,554	8,285
Programming	1,110	-	1,110	-
Salaries and benefits	86,663	46,664	133,327	105,713
Sub-trades	261,292	-	261,292	558,710
Tournament expenses	-	168,011	168,011	183,722
Travel	5,669	1,824	7,493	9,497
	739,570	251,823	991,393	1,260,538
<b>Excess of revenue over expenditures for the year</b>			435,342	162,106
<b>Net assets, beginning of year</b>			188,073	25,967
<b>Net assets, end of year</b>			\$ 623,415	\$ 188,073

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

**Smilezone Foundation**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year	\$ 435,342	\$ 162,106
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	629	-
Changes in non-cash working capital balances		
Harmonized sales tax receivable	23,002	9,070
Due from related party	-	5,138
Accounts payable and accrued liabilities	(35,478)	3,172
Deferred contributions	10,000	-
	<u>433,495</u>	<u>179,486</u>
<b>Investing activity</b>		
Purchase of capital assets	-	(1,258)
<b>Increase in cash during the year</b>	<b>433,495</b>	<b>178,228</b>
<b>Cash, beginning of year</b>	<b>216,636</b>	<b>38,408</b>
<b>Cash, end of year</b>	<b>\$ 650,131</b>	<b>\$ 216,636</b>

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

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## Smilezone Foundation Notes to Financial Statements

December 31, 2018

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### 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 includes donations, special events, corporate sponsorship and third party events. Deferred contributions represent unspent restricted 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. Lottery revenue is recorded when received.

#### 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 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

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis from the date of acquisition as follows:

Computers and software	2 years straight line
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## Smilezone Foundation Notes to Financial Statements

December 31, 2018

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### 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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Allocation of Expenditures

The Foundation reports expenditures based on various operating functions as disclosed on the statement of operations and changes in net assets. Costs for each function include salaries and benefits and various other amounts that are directly attributable to the function. The Foundation also incurs a number of general support costs that are common to various functions. The Foundation allocates certain common general support expenditures 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	70%	30%
Salaries and benefits	70%	30%

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### 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.