

Smilezone Foundation
Financial Statements
For the year ended December 31, 2020

	Contents
Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9



Independent Auditor's Report

To the Board of Directors of Smilezone Foundation

Qualified Opinion

We have audited the financial statements of Smilezone Foundation (the Foundation), 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, 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, 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 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 (deficiency) of revenue over expenditures, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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.



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
Oakville, Ontario
June 1, 2021

Smilezone Foundation
Statement of Financial Position

December 31 **2020** **2019**

Assets

Current

Cash	\$	484,996	\$	505,599
Accounts receivable		1,811		50,000
Harmonized sales tax receivable		30,770		90,379
		517,577		645,978

Capital assets

		-		315
	\$	517,577	\$	646,293

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 2)	\$	31,316	\$	129,212
Deferred contributions		77,890		110,080
		109,206		239,292

Net assets

Unrestricted funds		408,371		407,001
	\$	517,577	\$	646,293

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 **2020** **2019**

	Construction Builds	General Fundraising	Total	Total
Revenue				
Donations	\$ -	\$ 164,374	\$ 164,374	\$ 130,544
Special Events	-	32,102	32,102	516,125
Corporate Sponsorship	-	125,338	125,338	276,771
Third Party Events	-	39,446	39,446	83,568
Lottery	-	12,195	12,195	31,599
Government Subsidies (Note 3)	-	74,971	74,971	-
	-	448,426	448,426	1,038,607
Expenditures				
Accounting and legal	9,561	1,688	11,249	9,278
Advertising and promotion	4,013	708	4,721	13,542
Credit card fees	346	346	692	8,528
Interest and bank charges	461	461	922	990
Lottery	-	5,413	5,413	19,080
Materials	118,579	-	118,579	343,921
Office supplies and general	9,414	4,034	13,448	21,193
Programming	14,139	-	14,139	14,838
Salaries and benefits	96,107	41,189	137,296	131,970
Sub-trades	138,900	-	138,900	426,700
Tournament expenses	-	6	6	185,047
Travel	1,548	143	1,691	10,809
	393,068	53,988	447,056	1,185,896
Excess (deficiency) of revenue over expenditures for the year			1,370	(147,289)
Net assets, beginning of year			407,001	554,291
Net assets, end of year			\$ 408,371	\$ 407,001

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

Smilezone Foundation Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 1,370	\$ (147,289)
Adjustments required to reconcile excess (deficiency) of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	315	314
Changes in non-cash working capital balances		
Accounts receivable	48,189	(50,000)
Harmonized sales tax receivable	59,609	(24,300)
Accounts payable and accrued liabilities	(97,896)	(23,337)
Deferred contributions	(32,190)	100,080
Decrease in cash during the year	(20,603)	(144,532)
Cash, beginning of year	505,599	650,131
Cash, end of year	\$ 484,996	\$ 505,599

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

Smilezone Foundation

Notes to Financial Statements

December 31, 2020

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 these 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
------------------------	-----------------------

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.

Smilezone Foundation Notes to Financial Statements

December 31, 2020

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

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%

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 Foundation paid \$3,810 (2019 - \$19,581) for cleaning services, included in Sub-trades expenditures on the statement of operations and changes in net assets, to corporations controlled by a Director of the Foundation. The transactions were in the normal course of operations and were recorded at the exchange amount. As at December 31, 2020, there was \$Nil (2019 - \$6,256) included in accounts payable and accrued liabilities due to these corporations.

Smilezone Foundation Notes to Financial Statements

December 31, 2020

3. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and the world.

Lockdown measures and reduced economic activity resulted in the lay-off of various staff members during the year. In addition, the Foundation cancelled its Golf and Hockey tournaments during the year as well as new builds being developed were paused due to lockdown measures. The Foundation will continue to provide services and seek out new fundraising initiatives to support the funding of new builds.

The Foundation is continuing to monitor the impact on its operations and cash flows. The Government of Canada has enacted federal stimulus packages, which include the Canada Emergency Wage Subsidy ("CEWS") program. During the year ended December 31, 2020, wage subsidies under the CEWS program total \$74,971 and have been recognized as revenue for the year. \$1,811 of this amount has not been received as at year end and has been included in accounts receivable.

Depending on the severity and duration of COVID-19 disruptions, operations and results could continue to be significantly impacted in future periods. At this time, the Foundation is uncertain as to the extent of the future impact of COVID-19.