

Financial statements of

Canadian Tire Jumpstart Charities

December 31, 2012 and 2011

Canadian Tire Jumpstart Charities

December 31, 2012 and 2011

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Independent Auditor's Report

To the Directors of
Canadian Tire Jumpstart Charities

We have audited the accompanying financial statements of Canadian Tire Jumpstart Charities, which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Canadian Tire Jumpstart Charities derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Tire Jumpstart Charities and we were not able to determine whether any adjustments might be necessary to donations revenue referred to above, excess of disbursements over revenue, and cash flows from operations for the years ended December 31, 2012 and 2011, and current assets and fund balances at December 31, 2012, December 31, 2011 and January 1, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Tire Jumpstart Charities as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
March 15, 2013

Canadian Tire Jumpstart Charities

Statements of operations years ended December 31, 2012 and 2011

	2012	2011
	\$	(Note 2) \$
Revenue		
Canadian Tire Corporation, Limited (Note 8)	2,919,153	3,164,950
Canadian Tire Associate Dealers	2,468,702	2,639,672
Canadian Tire Corporation, Limited vendors	4,219,747	3,702,732
Employee fundraising, events and donations	1,023,964	861,630
Canadian Tire Corporation, Limited customers	2,675,889	867,338
Cash box donations	440,807	429,468
Government support	1,429,400	1,627,712
Interest income (Note 6)	40,178	72,853
Other donations	271,385	183,662
Fundraising events	839,304	687,163
	16,328,530	14,237,180
Less direct costs and expenses	1,432,509	1,054,013
	14,896,020	13,183,167
Disbursements		
Canadian Tire Jumpstart program	12,490,237	10,835,392
Community initiatives - dealer	652,819	793,891
Other community initiatives	35,286	-
Disaster relief	5,200	116,898
Canadian Tire Corporation, Limited employee program	119,848	270,000
Community crisis response	14,585	12,000
Holiday program	77,975	68,015
Bon départ du Québec grant	192,527	253,498
Canadian Tire Jumpstart program delivery	363,631	307,403
	13,952,108	12,657,097
General and administrative expenses (Note 7)	1,896,812	1,167,793
	15,848,920	13,824,890
Excess of disbursements over revenue	(952,900)	(641,723)

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Tire Jumpstart Charities

Statements of changes in fund balances
years ended December 31, 2012 and 2011

	2012		
	Unrestricted funds	Endowment funds (Note 6)	Total
	\$	\$	\$
Balances, beginning of year	1,837,069	882,956	2,720,025
Excess of disbursements over revenue	(952,900)	-	(952,900)
Balances, end of year	884,169	882,956	1,767,125
	2011 (Note 2)		
	Unrestricted funds	Endowment funds (Note 6)	Total
	\$	\$	\$
Balances, beginning of year	2,478,792	866,366	3,345,158
Excess of disbursements over revenue	(641,723)	-	(641,723)
Contributions during the year (Note 6)	-	16,590	16,590
Balances, end of year	1,837,069	882,956	2,720,025

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Tire Jumpstart Charities

Balance sheets

as at December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	795,292	240,986	185,254
Restricted cash	-	3,119	32,851
Accounts receivable (Note 8)	1,661,891	1,239,696	1,251,786
Harmonized Sales Tax receivable	352,318	268,195	161,403
Inventory and prepaids	315,165	199,895	78,425
Investments (Note 4)	1,396,129	1,567,753	1,369,805
	4,520,795	3,519,644	3,079,524
Long-term investments (Notes 4 and 8)	203,701	715,310	1,366,340
	4,724,496	4,234,954	4,445,864
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Notes 8 and 12)	2,907,371	1,464,929	1,100,706
Deferred revenue (Note 5)	50,000	50,000	-
	2,957,371	1,514,929	1,100,706
Fund balances			
Unrestricted funds	884,169	1,837,069	2,478,792
Endowment funds (Note 6)	882,956	882,956	866,366
	1,767,125	2,720,025	3,345,158
	4,724,496	4,234,954	4,445,864

Approved by the Board

Martha Billes

Chairman

Mary Turner

Treasurer

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Tire Jumpstart Charities

Statements of cash flows years ended December 31, 2012 and 2011

	2012	2011 (Note 2)
	\$	\$
Operating activities		
Excess of disbursements over revenue	(952,900)	(641,723)
Change in non-cash working capital items (Note 11)	820,854	198,051
	(132,046)	(443,672)
Investing activity		
Net proceeds on disposal of marketable securities	683,233	453,082
Financing activities		
Decrease in restricted cash	3,119	29,732
Endowment fund contributions received during the year	-	16,590
	3,119	46,322
Increase in cash	554,306	55,732
Cash, beginning of year	240,986	185,254
Cash, end of year	795,292	240,986

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

1. Nature of the organization

Canadian Tire Jumpstart Charities ("Jumpstart Charities"), formerly known as Canadian Tire Foundation for Families, was incorporated without share capital under the *Canada Corporations Act* on November 20, 1992. The name was formally changed on August 26, 2009 to Canadian Tire Jumpstart Charities. Jumpstart Charities' mission is to provide a helping hand to families in crisis, ensuring that life's basic needs are met in relation to food, shelter, clothing and goods.

Under the *Income Tax Act*, Jumpstart Charities is classified as a registered charity and, if certain disbursement requirements are met, is not subject to income taxes. For the year ended December 31, 2012, the disbursement requirements have been met.

2. Adoption of new accounting standards

During the year, Jumpstart Charities adopted the new accounting standards for not-for-profit organizations ('new standards') issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time adoption, ("Section 1501"), the date of transition to the new standards is January 1, 2011 and Jumpstart Charities has presented an opening balance sheet as at that date. The opening balance sheet is the starting point for Jumpstart Charities' accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, Jumpstart Charities:

- a) Recognized all assets and liabilities whose recognition is required by the new standards;
- b) Did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) Applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented.

Jumpstart Charities has elected to recognize cash and investments at fair value at the date of transition to the new standards. This election has no impact on the amounts previously reported for these items.

There have been no adjustments to the balance sheet as at January 1, 2011 or to the statement of operations for the year ended December 31, 2011 resulting from the adoption of the new standards, including the use of exemptions under Section 1501, and hence no reconciliation to the balances previously reported is required.

3. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the CICA using the deferral method of accounting for restricted contributions, and include the following significant accounting policies:

Revenue recognition

Donations which have been restricted through specific direction from a contributor are deferred and recorded as revenue when the related restricted disbursements occur. 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.

Contributions

Endowment contributions are recognized as direct increases in the respective fund balance in the year.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

3. Significant accounting policies (continued)

Financial instruments

Cash and cash equivalents and investments are recognized at fair value. Accounts receivables and payables are initially recognized at fair value and subsequently measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and Canadian securities with original maturity dates of three months or less.

Inventories

Inventories are measured at the lower of cost and current replacement cost.

Unrestricted funds

Amounts generally received, used or held, are recorded in unrestricted funds.

Endowment funds

Endowment funds represent amounts received which are externally endowed.

Use of estimates

The presentation of Jumpstart Charities' financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosures in the notes thereto. Actual results could differ from those estimates used in preparing the financial statements. Estimates are used when accounting for a number of items including, but not limited to, valuation of inventories and investments, provision for accounts receivable and deferred revenue.

4. Investments

Investments consist of:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Guaranteed investment certificates	500,000	1,008,429	1,117,063
Bonds	203,701	392,498	784,150
Endowment funds investments			
Bonds	476,334	485,195	487,332
Guaranteed investment certificates	419,796	396,941	347,600
	1,599,830	2,283,063	2,736,145
Current	1,396,129	1,567,753	1,369,805
Long-term	203,701	715,310	1,366,340
	1,599,830	2,283,063	2,736,145

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

5. Deferred revenue

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Government support	50,000	50,000	-

6. Endowment funds

Endowment funds are comprised as follows:

	December 31, 2012		December 31, 2011		January 1, 2011		
	Canadian Tire \$	Wayne Sales \$	Brandon Crisp \$	Pat Marsden \$	Total \$	Total \$	Total \$
Balances, beginning of year	490,006	175,000	157,950	60,000	882,956	866,366	833,515
Contributions	-	-	-	-	-	16,590	32,851
Balances, end of year	490,006	175,000	157,950	60,000	882,956	882,956	866,366

The Canadian Tire Endowment Fund was established to support the Canadian Tire Jumpstart program. The capital is to be invested. Income earned in the amount of \$16,230 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

The Wayne Sales Endowment Fund was established to fund the Canadian Tire Jumpstart program for children of Canadian Tire Corporation, Limited employees. The capital is to be invested. Income in the amount of \$5,797 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

The Brandon Crisp Endowment Fund was established from an initial endowment contribution of \$108,509 from public donations and external fundraising activities. The intention of this fund is to assist children in the Simcoe, Ontario chapter to participate in sports. Income of \$5,232 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

The Pat Marsden Endowment Fund was established from donations and external fundraising activities in memory of Pat Marsden. The intention of this fund is to support underprivileged children. Income of \$1,987 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

The Endowment funds are comprised of:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Cash	-	6,006	43,834
Investments (Note 4)	896,130	882,136	834,932
	896,130	888,142	878,766

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

7. General and administrative expenses

	2012	2011
	\$	\$
Wages and salaries	1,357,343	975,015
Accounting and legal fees	20,175	7,705
IT costs	301,489	28,456
Other	217,806	156,617
	1,896,812	1,167,793

8. Related party transactions and balances

Jumpstart Charities is related to other parties by reason of their ability to exercise significant influence over Jumpstart Charities. Other parties include the directors of Jumpstart Charities and Canadian Tire Corporation, Limited.

During the year, Canadian Tire Corporation, Limited provided advertising, benefits, travel and office space to Jumpstart Charities with a value of approximately \$4.24 million (2011 - \$3.68 million) for which no amounts have been recorded. In addition, Canadian Tire Corporation, Limited donated cash of \$2.87 million (2011 - \$3.16 million) to Jumpstart Charities which is included in revenue.

Included in accounts receivable is \$1.53 million (2011 - \$0.45 million) due from Canadian Tire Corporation, Limited.

Included in accounts payable is \$1.79 million (2011 - \$0.73 million) due to Canadian Tire Corporation, Limited.

Included in investments is \$nil (2011 - \$0.20 million) guaranteed investment certificate issued by Canadian Tire Bank.

Jumpstart Charities acquired inventory from Canadian Tire Corporation, Limited in the amount of \$0.065 million (2011 - \$nil) at normal selling values.

9. Guarantees

In the normal course of business, Jumpstart Charities enters into agreements that meet the definition of a guarantee. Jumpstart Charities' primary guarantees are as follows:

- Indemnity has been provided to all directors, officers and volunteers in relation to their activities on behalf of Jumpstart Charities. Jumpstart Charities maintains directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions.
- In the normal course of business, Jumpstart Charities has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements and service agreements. These indemnities may require Jumpstart Charities to compensate counter parties for losses incurred.

The nature of these indemnification agreements prevents Jumpstart Charities from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events. Historically, Jumpstart Charities has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in these financial statements, with respect to these agreements.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

10. Financial risk management policy

Jumpstart Charities manages its exposure to the risks associated with financial instruments that affect its operating and financial performance in accordance with its investment policy.

Jumpstart Charities is exposed to the following risks associated with its financial instruments. The following analysis provides a measure of the risks as at the reporting date of December 31, 2012.

Credit risk

Jumpstart Charities is exposed to credit risk to the extent that investments will not be realized if the issuer of the security fails. Jumpstart Charities minimizes its credit risk through its investment policy, which prescribes minimum acceptable credit rating for investments; maximum terms to maturity; limits for investments in a particular type of issuer; and industry limits for investments in securities issued by certain corporations.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. Jumpstart Charities is exposed to liquidity risk to the extent that there will not be an active market for its investments if and when Jumpstart Charities elects to sell the investments. Liquidity risk stems from the possibility of a delay in realizing the fair value of investments. Jumpstart Charities minimizes its liquidity risk by structuring the investment portfolio such that securities mature to meet cash flow requirements for ongoing operations as reasonably anticipated and through its investment policy which requires diversification of the investment portfolio so that potential losses on individual securities are minimized.

Interest rate risk

Jumpstart Charities is exposed to interest rate risk on its fixed interest rate financial instruments to the extent that the fair value of its financial instrument or the related future cash flows will fluctuate due to changes in market interest rates. Specifically, fixed-rate instruments subject Jumpstart Charities to a fair value risk associated with the risk of reduction in value of a security resulting from changes in market parameters. Jumpstart Charities manages its exposure to interest rate risk through its investment policy which requires diversification of the investment portfolio so that potential losses on individual securities are minimized.

Market risk

The market risk associated with investments is managed through Jumpstart Charities' investment policy. Assets invested in guaranteed investment certificates are restricted to financial institutions that are existing members of the Canada Deposit Insurance Corporation ("CDIC") insurance program. Assets invested in bonds are limited to securities issued or guaranteed by either Canadian Schedule 1 financial institutions, Canadian Tire Bank, Provincial and municipal governments and their agencies, and the Canadian Federal Government and their agencies. Mutual fund investments are limited to money market funds and CDIC eligible investment savings accounts.

11. Changes in non-cash working capital items

	2012	2011
	\$	\$
Cash generated from (used for)		
Accounts receivable	(422,195)	12,091
Harmonized Sales Tax receivables	(84,123)	(106,792)
Inventory and prepaids	(115,270)	(121,471)
Accounts payable and accrued liabilities	1,442,442	364,223
Deferred revenue	-	50,000
Changes in non-cash working capital items	820,854	198,051

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2012 and 2011

12. Government remittances

Accounts payable and accrued liabilities include \$nil (December 31, 2011 - \$nil; January 1, 2011 - \$nil) with respect to withholdings owing to the government.

13. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year presentation.