

Financial statements of

**Canadian Tire Jumpstart Charities**

December 31, 2013

# Canadian Tire Jumpstart Charities

December 31, 2013

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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 sheet as at December 31, 2013 and the statements of operations, changes in fund balances 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 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 recorded revenue, the excess of revenue over disbursements, and cash flows from operations for the years ended December 31, 2013 and December 31, 2012, current assets as at December 31, 2013 and December 31, 2012, and net assets as at January 1 and December 31 for both the 2013 and 2012 years. Our audit opinion on the financial statements for the year ended December 31, 2012 was modified accordingly, because of the possible effects of this scope limitation.

### **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, 2013 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.

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

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
March 14, 2014

# Canadian Tire Jumpstart Charities

## Statement of operations year ended December 31, 2013

	2013	2012
	\$	\$
<b>Revenue</b>		
Canadian Tire Corporation, Limited (Note 8)	5,183,639	2,919,153
Canadian Tire Associate Dealers	2,143,987	2,468,702
Canadian Tire Corporation, Limited vendors	2,080,235	4,219,747
Employee fundraising, events and donations	919,689	1,023,964
Canadian Tire Corporation, Limited customers	5,364,613	2,211,098
Cash box donations	912,450	440,807
Strategic partnerships	694,916	464,791
Government support	1,480,000	1,429,400
Interest income (Note 5)	50,913	40,178
Other donations	668,464	271,385
Fundraising events	1,177,749	839,304
	<b>20,676,655</b>	<b>16,328,529</b>
Less direct costs and expenses (Note 6)	<b>1,523,577</b>	<b>1,432,509</b>
	<b>19,153,078</b>	<b>14,896,020</b>
<b>Disbursements</b>		
Canadian Tire Jumpstart program (Note 6)	14,092,505	12,490,237
Community initiatives - dealer	688,257	652,819
Other community initiatives	50,426	35,286
Disaster relief	129,827	5,200
Canadian Tire Corporation, Limited employee program	42,000	119,848
Community crisis response	4,000	14,585
Holiday program	135,972	77,975
Bon départ du Québec grant	218,744	192,527
Canadian Tire Jumpstart program delivery	433,564	363,631
	<b>15,795,295</b>	<b>13,952,108</b>
General and administrative expenses (Note 7)	<b>1,704,981</b>	<b>1,896,812</b>
	<b>17,500,276</b>	<b>15,848,920</b>
<b>Excess of revenue over disbursements (disbursements over revenue)</b>	<b>1,652,802</b>	<b>(952,900)</b>

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

# Canadian Tire Jumpstart Charities

Statement of changes in fund balances  
year ended December 31, 2013

	2013		
	Unrestricted funds	Endowment funds (Note 5)	Total
	\$	\$	\$
<b>Balances, beginning of year</b>	884,169	882,956	1,767,125
Excess of revenue over disbursements	1,652,802	-	1,652,802
<b>Balances, end of year</b>	<b>2,536,971</b>	<b>882,956</b>	<b>3,419,927</b>

  

	2012		
	Unrestricted funds	Endowment funds (Note 5)	Total
	\$	\$	\$
<b>Balances, beginning of year</b>	1,837,069	882,956	2,720,025
Excess of disbursements over revenue	(952,900)	-	(952,900)
<b>Balances, end of year</b>	<b>884,169</b>	<b>882,956</b>	<b>1,767,125</b>

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

# Canadian Tire Jumpstart Charities

## Balance sheet

as at December 31, 2013

	2013	2012
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,005,332	795,292
Accounts receivable (Note 8)	2,420,963	1,624,979
Harmonized Sales Tax receivable	197,260	352,318
Inventory and other assets	209,675	352,077
Investments (Note 3)	821,035	1,396,129
	<b>4,654,265</b>	<b>4,520,795</b>
Long-term investments (Note 3)	276,933	203,701
	<b>4,931,198</b>	<b>4,724,496</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 12)	1,461,271	2,907,371
Deferred revenue (Note 4)	50,000	50,000
	<b>1,511,271</b>	<b>2,957,371</b>
<b>Fund balances</b>		
Unrestricted funds	2,536,971	884,169
Endowment funds (Note 5)	882,956	882,956
	<b>3,419,927</b>	<b>1,767,125</b>
	<b>4,931,198</b>	<b>4,724,496</b>

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

## Statement of cash flows year ended December 31, 2013

	2013	2012
	\$	\$
<b>Operating activities</b>		
Excess of revenue over disbursements / (disbursements over revenue)	1,652,802	(952,900)
Changes in non-cash working capital items (Note 11)	(1,944,624)	820,854
	(291,822)	(132,046)
<b>Investing activity</b>		
Net proceeds from disposal of investments	501,862	683,233
<b>Financing activity</b>		
Decrease in restricted cash	-	3,119
Increase in cash	210,040	554,306
Cash, beginning of year	795,292	240,986
<b>Cash, end of year</b>	<b>1,005,332</b>	<b>795,292</b>

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, 2013

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### 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 assistance to financially challenged children to participate in sport and recreation.

Jumpstart Charities filed for continuance under the Canada Not-for-profit Corporations Act and received confirmation from Industry Canada in July 2013. 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, 2013, the disbursement requirements have been met.

### 2. Significant accounting policies

#### *Basis of presentation*

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published in the CPA Canada Handbook - Accounting 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 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.

#### *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 that are highly liquid and 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 accounting standards for not-for-profit organizations 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, the valuation of inventories and investments, provision for accounts receivable, and deferred revenue.

# Canadian Tire Jumpstart Charities

## Notes to the financial statements

December 31, 2013

### 3. Investments

Investments consist of:

	2013	2012
	\$	\$
Guaranteed investment certificates	-	500,000
Bonds	215,720	203,701
Endowment funds investments		
Bonds	-	476,334
Guaranteed investment certificates	882,248	419,796
	<b>1,097,968</b>	<b>1,599,830</b>
Current	<b>821,035</b>	1,396,129
Long-term	<b>276,933</b>	203,701
	<b>1,097,968</b>	<b>1,599,830</b>

Investments have rates of interest ranging from 1.25% to 4.5% with maturities to September 2018.

### 4. Deferred revenue

	2013	2012
	\$	\$
Government support	<b>50,000</b>	50,000

The deferred revenue balance as at December 31, 2012 was recognized as revenue during the year ended December 31, 2013, as the related disbursement occurred.

Jumpstart Charities received a contribution in the amount of \$50,000 during the year ended December 31, 2013. This contribution has been deferred and will be recognized as revenue when the related disbursement occurs.

### 5. Endowment funds

Endowment funds are comprised as follows:

	2013				2012	
	Canadian Tire	Wayne Sales	Brandon Crisp	Pat Marsden	Total	Total
	\$	\$	\$	\$	\$	\$
Balances, beginning of year	490,006	175,000	157,950	60,000	882,956	882,956
Contributions	-	-	-	-	-	-
Balances, end of year	<b>490,006</b>	<b>175,000</b>	<b>157,950</b>	<b>60,000</b>	<b>882,956</b>	<b>882,956</b>

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 \$7,940 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 \$2,836 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

# Canadian Tire Jumpstart Charities

## Notes to the financial statements

December 31, 2013

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### 5. Endowment funds (continued)

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 \$2,560 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 \$972 is included in interest income and is to be used to support the Canadian Tire Jumpstart program.

The Endowment funds are comprised of:

	2013	2012
	\$	\$
Investments (Note 3)	<b>882,248</b>	896,130

### 6. Inventory disbursements

Jumpstart Charities disbursed inventory of \$0.15 million (2012 - \$0.09 million) and is included in Canadian Tire Jumpstart program. During the year, write downs of \$0.04 million (2012 - \$Nil) were taken and included in direct costs and expenses.

### 7. General and administrative expenses

	2013	2012
	\$	\$
Wages and salaries	<b>1,493,628</b>	1,357,343
Accounting and legal fees	<b>26,028</b>	20,175
IT costs	<b>11,874</b>	301,489
Other	<b>173,451</b>	217,806
	<b>1,704,981</b>	1,896,812

### 8. Related party transactions and balances

Jumpstart Charities is related to other parties by virtue of those parties' ability to exercise significant influence over Jumpstart Charities. Other parties include the directors of Jumpstart Charities and Canadian Tire Corporation, Limited. Canadian Tire Corporation, Limited refers to the Company and its subsidiaries.

During the year, Canadian Tire Corporation, Limited provided advertising, benefits, travel and office space to Jumpstart Charities with a value of approximately \$4.49 million (2012 - \$4.29 million) for which no amounts have been recorded. In addition, Canadian Tire Corporation, Limited and its subsidiaries donated cash of \$5.01 million (2012 - \$2.72 million) to Jumpstart Charities which is included in revenue.

Jumpstart Charities entered into an agency relationship with FGL Sports Ltd., a subsidiary of Canadian Tire Corporation Limited. Jumpstart Charities is to facilitate the disbursement of inventory on behalf of FGL Sports Ltd. Ownership of inventory is retained by FGL Sports Ltd., and Jumpstart Charities has not recorded any amounts in these financial statements for the assets or disbursements.

Included in accounts receivable is \$1.58 million (2012 - \$1.53 million) due from Canadian Tire Corporation, Limited.

Included in inventory and other assets is \$0.05 million (2012 - \$0.04 million) recoverable from Canadian Tire Corporation, Limited.

# Canadian Tire Jumpstart Charities

## Notes to the financial statements

December 31, 2013

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### 8. Related party transactions and balances (continued)

Included in accounts payable is \$0.27 million (2012 - \$1.79 million) due to Canadian Tire Corporation, Limited.

Included in investments is \$0.10 million (2012 - \$Nil) guaranteed investment certificate issued by Canadian Tire Bank.

Jumpstart Charities acquired inventory from Canadian Tire Corporation, Limited in the amount of \$Nil (2012 - \$0.05 million) at the exchange amount.

### 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:

- (a) 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.
- (b) 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.

### 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, 2013.

#### *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.

# Canadian Tire Jumpstart Charities

## Notes to the financial statements

December 31, 2013

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### 10. Financial risk management policy (continued)

#### *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") and the Credit Union Deposit Insurance Corporation ("CUDIC"). 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 or CUDIC eligible investment savings accounts.

### 11. Changes in non-cash working capital items

	2013	2012
	\$	\$
Cash (used for) generated from		
Accounts receivable	(795,984)	(385,283)
Harmonized Sales Tax receivable	155,058	(84,123)
Inventory and other assets	142,402	(152,182)
Accounts payable and accrued liabilities	(1,446,100)	1,442,442
<b>Changes in non-cash working capital items</b>	<b>(1,944,624)</b>	<b>820,854</b>

### 12. Government remittances

Accounts payable and accrued liabilities include \$Nil (2012 - \$Nil) with respect to withholdings owing to the government.

### 13. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.