

Financial statements of

Canadian Tire Jumpstart Charities

December 31, 2017

Canadian Tire Jumpstart Charities

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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, 2017, 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 qualified 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 (disbursements over revenue), and cash flows from operations for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and fund balances as at January 1, 2017 and 2016 and December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 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, these financial statements present fairly, in all material respects, the financial position of Canadian Tire Jumpstart Charities 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 9, 2018

Canadian Tire Jumpstart Charities

Statement of operations

year ended December 31, 2017

	2017	2016
	\$	\$
Revenue		
Canadian Tire Corporation, Limited (Note 8)	22,372,973	19,895,114
Strategic partnerships	348,781	345,622
Government support	575,755	1,296,531
Interest income (Note 5)	17,471	21,098
Other donations	911,730	1,017,871
	24,226,710	22,576,236
Less direct costs and expenses	153,980	336,324
	24,072,730	22,239,912
Disbursements		
Canadian Tire Jumpstart program (Note 6)	20,359,762	20,312,195
Other community initiatives	499,585	28,951
Bon départ du Québec	56,676	120,004
Canadian Tire Jumpstart program delivery	1,035,142	653,250
	21,951,165	21,114,400
General and administrative expenses (Note 7)	2,105,218	1,341,101
	24,056,383	22,455,501
Excess of revenue over disbursements (disbursements over revenue)	16,347	(215,589)

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, 2017

	2017		
	Unrestricted funds	Endowment funds (Note 5)	Total
	\$	\$	\$
Balances, beginning of year	1,733,370	882,956	2,616,326
Excess of revenue over disbursements	16,347	-	16,347
Balances, end of year	1,749,717	882,956	2,632,673

	2016		
	Unrestricted funds	Endowment funds (Note 5)	Total
	\$	\$	\$
Balances, beginning of year	1,948,959	882,956	2,831,915
Excess of disbursements over revenue	(215,589)	-	(215,589)
Balances, end of year	1,733,370	882,956	2,616,326

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, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,109,623	2,126,755
Accounts receivable (Note 8)	3,415,967	2,517,412
Harmonized Sales Tax receivable	37,406	40,223
Inventory and other assets (Note 8)	16,515	57,892
Investments (Note 3)	404,911	363,734
	4,984,422	5,106,016
Long-term investments (Notes 3 and 8)	482,055	597,748
	5,466,477	5,703,764
Liabilities		
Current liabilities		
Loan payable (Note 8)	2,500,000	2,000,000
Accounts payable and accrued liabilities (Notes 8 and 12)	39,450	1,050,479
Deferred revenue (Note 4)	294,354	36,959
	2,833,804	3,087,438
Fund balances		
Unrestricted funds	1,749,717	1,733,370
Endowment funds (Note 5)	882,956	882,956
	2,632,673	2,616,326
	5,466,477	5,703,764

Approved by the Board



Chairman



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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over disbursements (disbursements over revenue)	16,347	(215,589)
Changes in non-cash working capital items (Note 11)	(1,607,995)	(65,545)
	(1,591,648)	(281,134)
Investing activity		
Proceeds from disposal of investments (interest reinvested), net	74,516	(27,895)
Financing activity		
Proceeds of loan payable	500,000	2,000,000
(Decrease) increase in cash and cash equivalents during the year	(1,017,132)	1,690,971
Cash and cash equivalents, beginning of year	2,126,755	435,784
Cash and cash equivalents, end of year	1,109,623	2,126,755

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, 2017

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 requirements are met, is not subject to income taxes. For the year ended December 31, 2017, the requirements have been met.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the accounting standards for Canadian 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.

Endowment contributions

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

Financial instruments

Cash is recognized at amortized cost. Cash equivalents and investments are initially recognized and subsequently measured at fair value. Accounts receivables and payables are initially recognized at fair value and are 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 received without any stipulation as to how they should be spent, used or held, are recorded in unrestricted funds.

Endowment funds

Endowment funds represent amounts received which are externally endowed.

Contributed services

Volunteers contribute many hours per year to assist Jumpstart Charities in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2017

2. Significant accounting policies (continued)

Research and grants

Commitments for research and grants, which are payable over a specified number of years, are recognized as disbursements on the statement of operations in the year the partner being funded meets the eligibility criteria.

Use of estimates

The presentation of Jumpstart Charities' financial statements, in conformity with Canadian 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.

3. Investments

	2017	2016
	\$	\$
Endowment funds investments		
Guaranteed investment certificates	886,966	961,482
Current	404,911	363,734
Long-term	482,055	597,748
	886,966	961,482

The guaranteed investment certificates have rates of interest ranging from 1.4% to 2.87% with maturities to September 2020.

4. Deferred revenue

	2017	2016
	\$	\$
Restricted corporate donation - Winnipeg rink project	250,000	-
Government support (Province of Manitoba)	44,354	36,959
	294,354	36,959

5. Endowment funds

Endowment funds are comprised as follows:

					2017	2016
	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 during the year	-	-	-	-	-	-
Balances, end of year	490,006	175,000	157,950	60,000	882,956	882,956

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2017

5. Endowment funds (continued)

The Canadian Tire Endowment Fund was established to support the Canadian Tire Jumpstart program. The capital is to be invested and permanently maintained. Income earned in the amount of \$9,253 (2016 - \$9,921) is included in interest income and has been 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 for a minimum of 10 years. Income in the amount of \$3,305 (2016 - \$3,543) is included in interest income and has been used to support the Canadian Tire Jumpstart program.

The Brandon Crisp Endowment Fund was established from an initial endowment contribution from public donations and external fundraising activities. The intention of this fund is to assist children in one or more Canadian Tire Jumpstart chapters in Ontario to participate in sports. The capital is to be invested for a minimum of 10 years. Income of \$2,983 (2016 - \$3,198) is included in interest income and has been 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. The capital is to be invested for a minimum of 10 years. Income of \$1,133 (2016 - \$1,215) is included in interest income and has been used to support the Canadian Tire Jumpstart program.

The endowment funds have a cost basis representing the original endowment contributions of \$882,956 (2016 - \$882,956). The fair value of the financial instruments held by the endowment funds is as follows:

	2017	2016
	\$	\$
Cash	11,105	73
Investments (Note 3)	886,966	961,482
	898,071	961,555

6. Inventory disbursements

Jumpstart Charities disbursed inventory of \$0.03 million (2016 - \$0.2 million) which is included in Canadian Tire Jumpstart program disbursements. During the year, write downs of \$Nil (2016 - \$Nil) were recognized and included in direct costs and expenses.

7. General and administrative expenses

General and administrative expenses consist of:

	2017	2016
	\$	\$
HR Costs	1,550,261	816,523
Branding and communications	257,322	375,134
Consulting	159,397	43,414
Overhead	138,238	106,030
	2,105,218	1,341,101

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2017

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 ("CTC"). CTC refers to the Company and its subsidiaries.

During the year, CTC incurred costs of \$2.75 million (2016 - \$1.84 million) for advertising that may also have benefited Jumpstart Charities for which no amounts have been recorded in these financial statements.

During the year, CTC incurred costs of \$0.54 million (2016 - \$1.43 million) for benefits, travel and office space which benefitted Jumpstart Charities, for which no amounts have been recorded in these financial statements.

During the year, CTC seconded a senior corporate employee to serve as President of Jumpstart Charities. The salaries, benefits and other related expenses for this position were paid for by Jumpstart Charities for 2017 and included in general and administrative expenses. In 2016, no amounts have been recorded in these financial statements.

Included in accounts receivable is \$0.96 million (2016 - \$2.43 million) due from Canadian Tire Corporation, Limited.

Included in inventory and other assets is \$0.01 million (2016 - \$0.03 million) recoverable from Canadian Tire Corporation, Limited.

Included in accounts payable and accrued liabilities is \$Nil (2016 - \$0.13 million) due to Canadian Tire Corporation, Limited. This accounts payable is recorded at the exchange amount, non-interest bearing and due on demand.

Included in loan payable is \$2.50 million (2016 - \$2.00 million) due to Canadian Tire Corporation, Limited. The borrowing limit for this loan facility is \$10.0 million (2016 - \$3.00 million) and bears interest at the BA rate at the time of the loan +0.96%. The purpose of the loan is to manage Jumpstart Charities' cash flows. This loan payable can be renewed on monthly basis, subject to the filling of a notice by Jumpstart Charities.

Included in investments is a guaranteed investment certificate for \$0.10 million (2016 - \$0.19 million) issued by Canadian Tire Bank.

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.

Canadian Tire Jumpstart Charities

Notes to the financial statements

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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, 2017.

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 to fund obligations as they come due. Jumpstart Charities minimizes its liquidity risk through a loan facility from Canadian Tire Corporation, Limited (see Note 8).

Interest rate risk

Jumpstart Charities is exposed to interest rate risk on its fixed interest rate financial instruments to the extent that 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

	2017	2016
	\$	\$
Cash (used for) generated from		
Accounts receivable	(898,555)	(316,507)
Harmonized Sales Tax receivable	2,817	93,989
Inventory and other assets	41,377	28,571
Accounts payable and accrued liabilities	(1,011,029)	91,443
Deferred revenue	257,395	36,959
Changes in non-cash working capital items	(1,607,995)	(65,545)

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2017

12. Government remittances

Accounts payable and accrued liabilities include \$Nil (2016 - \$Nil) with respect to withholdings owing to the government.

13. Commitments

During the year, Jumpstart Charities entered into long-term research and grant commitments, expiring as follows:

	\$
2018	1,273,250
2019	1,273,250
2020	1,273,250
2021	1,278,250
2022	1,000,000
	<hr/> 6,098,000 <hr/>