

Financial statements of

Canadian Tire Jumpstart Charities

December 31, 2014

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, 2014, 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 disbursements over revenue, and cash flows from operations for the years ended December 31, 2014 and December 31, 2013, current assets as at December 31, 2014 and December 31, 2013, and net assets as at January 1, 2012 and 2013 and December 31, 2014 and 2013. Our audit opinion on the financial statements for the year ended December 31, 2014 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, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in black ink and is positioned above the printed name and date.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 13, 2015

Canadian Tire Jumpstart Charities

Statement of operations year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
Canadian Tire Corporation, Limited (Note 8)	4,005,075	5,183,639
Canadian Tire Associate - Dealers	2,136,115	2,143,987
Canadian Tire Corporation, Limited - Vendors	1,941,927	2,080,235
Employee fundraising, events and donations	1,542,239	919,689
Canadian Tire Corporation, Limited - Customers	6,348,059	5,364,613
Cash box donations	854,175	912,450
Strategic partnerships	681,985	694,916
Government support	1,960,010	1,480,000
Interest income (Note 5)	64,795	50,913
Other donations	884,369	668,464
Fundraising events	1,212,874	1,177,749
	21,631,623	20,676,655
Less direct costs and expenses (Note 6)	1,590,109	1,523,577
	20,041,514	19,153,078
Disbursements		
Canadian Tire Jumpstart program (Note 6)	18,580,899	14,092,505
Community initiatives - dealer	18,000	688,257
Other community initiatives	58,813	50,426
Disaster relief	-	129,827
Canadian Tire Corporation, Limited employee program	-	42,000
Community crisis response	-	4,000
Holiday program	13,999	135,972
Bon départ du Québec grant	21,876	218,744
Canadian Tire Jumpstart program delivery	674,781	433,564
	19,368,368	15,795,295
General and administrative expenses (Note 7)	1,993,421	1,704,981
	21,361,789	17,500,276
Excess of (disbursements over revenue) revenue over disbursements	(1,320,275)	1,652,802

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, 2014

	2014		
	Unrestricted funds	Endowment funds (Note 5)	Total
	\$	\$	\$
Balances, beginning of year	2,536,971	882,956	3,419,927
Excess of disbursements over revenue	(1,320,275)	-	(1,320,275)
Balances, end of year	1,216,696	882,956	2,099,652

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

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, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	483,189	1,005,332
Accounts receivable (Note 8)	1,964,998	2,420,963
Harmonized Sales Tax receivable	154,507	197,260
Inventory and other assets (Note 8)	173,996	209,675
Investments (Note 3)	657,233	821,035
	3,433,923	4,654,265
Long-term investments (Note 3)	305,316	276,933
	3,739,239	4,931,198
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 12)	1,564,587	1,461,271
Deferred revenue (Note 4)	75,000	50,000
	1,639,587	1,511,271
Fund balances		
Unrestricted funds	1,216,696	2,536,971
Endowment funds (Note 5)	882,956	882,956
	2,099,652	3,419,927
	3,739,239	4,931,198

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, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of (disbursements over revenue) revenue over disbursements	(1,320,275)	1,652,802
Changes in non-cash working capital items (Note 11)	662,713	(1,944,624)
	(657,562)	(291,822)
Investing activity		
Net proceeds from disposal of investments	135,419	501,862
(Decrease) increase in cash and cash equivalents during the year	(522,143)	210,040
Cash and cash equivalents, beginning of year	1,005,332	795,292
Cash and cash equivalents, end of year	483,189	1,005,332

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, 2014

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, 2014, 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 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 and cash equivalents and investments are recognized 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 generally received, 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, 2014

2. Significant accounting policies (continued)

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

Investments consist of:

	2014	2013
	\$	\$
Unrestricted funds investments		
High Interest Savings Account (HISA)	37,025	-
Bonds	-	215,720
Endowment funds investments		
High Interest Savings Account (HISA)	620,208	-
Guaranteed investment certificates	305,316	882,248
	962,549	1,097,968
Current	657,233	821,035
Long-term	305,316	276,933
	962,549	1,097,968

Investments have rates of interest ranging from 1.25% to 2.9% with maturities to September 2018.

4. Deferred revenue

	2014	2013
	\$	\$
Government support (Province of Manitoba)	75,000	50,000

The deferred revenue balance as at December 31, 2013 was not recognized as revenue during the year ended December 31, 2014, as the related disbursement has not yet occurred.

In addition, Jumpstart Charities received a contribution in the amount of \$25,000 during the year ended December 31, 2014. This contribution has been deferred and will be recognized as revenue when the related disbursement occurs.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2014

5. Endowment funds

Endowment funds are comprised as follows:

					2014	2013
	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	490,006	175,000	157,950	60,000	882,956	882,956

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 \$8,711 (2013 - \$7,940) 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. Income in the amount of \$3,111 (2013 - \$2,836) is included in interest income and is has been 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 one or more Canadian Tire Jumpstart chapters in Ontario to participate in sports. Income of \$2,808 (2013 - \$2,560) 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. Income of \$1,067 (2013 - \$972) is included in interest income and has been used to support the Canadian Tire Jumpstart program.

The Endowment funds are comprised of:

	2014	2013
	\$	\$
Cash	610	28,189
Investments (Note 3)	925,524	882,248
	926,134	910,437

6. Inventory disbursements

Jumpstart Charities disbursed inventory of \$0.22 million (2013 - \$0.15 million) which is included in Canadian Tire Jumpstart program. During the year, write downs of \$ nil (2013 - \$0.04 million) were recognized and included in direct costs and expenses.

7. General and administrative expenses

General and administrative expenses consists of:

	2014	2013
	\$	\$
Wages and salaries	1,438,978	1,493,628
Accounting and legal fees	27,248	26,028
IT costs	147,323	11,874
Other	379,872	173,451
	1,993,421	1,704,981

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2014

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 \$4.33 million (2013 - \$4.49 million) for which no amounts have been recorded. In addition, Canadian Tire Corporation, Limited and its subsidiaries donated cash of \$4.52 million (2013 - \$5.01 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 the 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 \$1.48 million (2013 - \$1.58 million) due from Canadian Tire Corporation, Limited.

Included in inventory and other assets is \$0.07 million (2013 - \$0.05 million) recoverable from Canadian Tire Corporation, Limited.

Included in accounts payable is \$0.95 million (2013 - \$0.93 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 investments is a guaranteed investment certificate for \$0.11 million (2013 - \$0.10 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.

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, 2014.

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.

Canadian Tire Jumpstart Charities

Notes to the financial statements

December 31, 2014

10. Financial risk management policy (continued)

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 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") 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

	2014	2013
	\$	\$
Cash (used for) generated from		
Accounts receivable	455,965	(795,984)
Harmonized Sales Tax receivable	42,753	155,058
Inventory and other assets	35,679	142,402
Accounts payable and accrued liabilities	103,316	(1,446,100)
Deferred revenue	25,000	-
Changes in non-cash working capital items	662,713	(1,944,624)

12. Government remittances

Accounts payable and accrued liabilities include \$Nil (2013 - \$Nil) with respect to withholdings owing to the government.