

KAYLA'S CHILDREN CENTRE
Financial Statements
Year Ended August 31, 2020

KAYLA'S CHILDREN CENTRE

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Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Kayla's Children Centre

Qualified Opinion

We have audited the financial statements of Kayla's Children Centre (the "Organization"), which comprise the balance sheet as at August 31, 2020, and the statements of changes in fund balances, revenues and expenditures 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 Organization as at August 31, 2020, and its results of 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 charitable organizations, the Organization derives certain of its revenue from the general public in the form of donations and other items promoting the Organization's charitable activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, and cash flows from operating activities for the years ended August 31, 2020 and 2019, current assets as at August 31, 2020 and 2019, and fund balances as at September 1 and August 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended August 31, 2019 was modified accordingly because of the possible effects of this limitation of 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 Organization 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 the 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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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 Organization'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 Organization'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 Organization 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.

A handwritten signature in black ink, appearing to read "G. G. G. Co." with a stylized flourish.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
January 22, 2021

KAYLA'S CHILDREN CENTRE

Balance Sheet

As at August 31, 2020

	General Fund 2020	Endowment Fund 2020	Capital Fund 2020	Total 2020	Total 2019
ASSETS					
CURRENT					
Cash	\$ 1,605,641	\$ -	\$ -	\$ 1,605,641	\$ 472,518
Investments <i>(Note 3)</i>	403,320	-	-	403,320	263
Grants and other accounts receivable <i>(Note 4)</i>	804,148	-	100,000	904,148	53,345
Amount due from related party <i>(Note 5)</i>	386	-	-	386	-
Prepaid expenses and sundry assets	56,529	-	-	56,529	516,118
	2,870,024	-	100,000	2,970,024	1,042,244
MARKETABLE SECURITIES <i>(Note 3)</i>	-	8,945,968	-	8,945,968	10,339,091
AMOUNT DUE FROM RELATED PARTY <i>(Note 5)</i>	-	-	8,425,821	8,425,821	7,787,322
PROPERTY AND EQUIPMENT <i>(Note 6)</i>	-	-	2,880,669	2,880,669	2,542,093
	\$ 2,870,024	\$ 8,945,968	\$ 11,406,490	\$ 23,222,482	\$ 21,710,750

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

KAYLA'S CHILDREN CENTRE

Balance Sheet

As at August 31, 2020

	General Fund 2020	Endowment Fund 2020	Capital Fund 2020	Total 2020	Total 2019
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 404,404	\$ -	\$ 100,000	\$ 504,404	\$ 479,771
Loans payable <i>(Note 8)</i>	-	-	-	-	100,000
Deferred revenue and security deposits <i>(Note 9)</i>	159,873	-	10,000	169,873	377,221
	564,277	-	110,000	674,277	956,992
AMOUNT DUE TO RELATED PARTY <i>(Note 5)</i>	170,867	-	-	170,867	123,733
	735,144	-	110,000	845,144	1,080,725
FUND BALANCES	2,134,880	8,945,968	11,296,490	22,377,338	20,630,025
	\$ 2,870,024	\$ 8,945,968	\$ 11,406,490	\$ 23,222,482	\$ 21,710,750

CONTINGENT LIABILITY *(Note 10)*

LEASE COMMITMENTS *(Note 11)*

APPROVED ON BEHALF OF THE BOARD:

_____ *Director*

_____ *Director*

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

KAYLA'S CHILDREN CENTRE
Statement of Changes in Fund Balances
For the Year Ended August 31, 2020

	General Fund 2020	Endowment Fund 2020	Capital Fund 2020	Total 2020	Total 2019
FUND BALANCES - BEGINNING OF YEAR					
As previously reported	\$ 53,595	\$ 10,339,091	\$ 10,219,415	\$ 20,612,101	\$ 17,525,889
Prior period adjustments <i>(Note 12)</i>	17,924	-	-	17,924	-
As restated	71,519	10,339,091	10,219,415	20,630,025	17,525,889
Excess (deficiency) of revenue over expenditures	1,008,660	(878,985)	1,617,638	1,747,313	3,104,136
Interfund transfers <i>(Note 13)</i>	1,054,701	(514,138)	(540,563)	-	-
FUND BALANCES - END OF YEAR <i>(Note 14)</i>	\$ 2,134,880	\$ 8,945,968	\$ 11,296,490	\$ 22,377,338	\$ 20,630,025

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

KAYLA'S CHILDREN CENTRE
Statement of Revenues and Expenditures
For the Year Ended August 31, 2020

	General Fund 2020	Endowment Fund 2020	Capital Fund 2020	Total 2020	Total 2019
REVENUE					
Program revenue	\$ 2,516,390	\$ -	\$ -	\$ 2,516,390	\$ 2,002,930
Donations	684,718	-	1,717,638	2,402,356	2,410,978
Government grants	1,656,932	-	-	1,656,932	1,862,785
Events income	1,355,488	-	-	1,355,488	1,530,571
Non-government grant	178,726	-	-	178,726	106,925
Rental income	691,871	-	-	691,871	759,462
Investment and other income	2,909	-	-	2,909	2,926
	7,087,034	-	1,717,638	8,804,672	8,676,577
EXPENDITURES <i>(Schedule 1)</i>	6,073,455	-	-	6,073,455	6,434,212
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	1,013,579	-	1,717,638	2,731,217	2,242,365
OTHER ITEMS					
Gain (loss) disposal of shares	(4,919)	67,836	-	62,917	(2,046)
Loss on impairment of property and equipment	-	-	(100,000)	(100,000)	-
Increase (decrease) in fair value of marketable securities	-	(946,821)	-	(946,821)	863,817
	(4,919)	(878,985)	(100,000)	(983,904)	861,771
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 1,008,660	\$ (878,985)	\$ 1,617,638	\$ 1,747,313	\$ 3,104,136

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

KAYLA'S CHILDREN CENTRE
Schedule of Expenditures
For the Year Ended August 31, 2020

(Schedule 1)

	General Fund 2020	Endowment Fund 2020	Capital Fund 2020	Total 2020	Total 2019
Wages and benefits	\$ 4,577,199	\$ -	\$ -	\$ 4,577,199	\$ 4,162,608
Rent and utilities (<i>Note 16</i>)	713,875	-	-	713,875	769,626
Fundraising	231,207	-	-	231,207	708,170
Amortization	170,584	-	-	170,584	107,906
Teaching and classroom expenses	93,130	-	-	93,130	97,234
Camp expenses	70,663	-	-	70,663	-
Professional fees	70,480	-	-	70,480	28,712
Office, general and supplies	64,160	-	-	64,160	89,042
Credit card fees	45,033	-	-	45,033	70,598
Insurance	41,116	-	-	41,116	37,276
Consulting fees	31,959	-	-	31,959	71,632
Bank charges and interest	21,731	-	-	21,731	14,519
Repairs and maintenance	12,908	-	-	12,908	129,586
Bad debt expense (recovery)	(70,590)	-	-	(70,590)	147,303
	\$ 6,073,455	\$ -	\$ -	\$ 6,073,455	\$ 6,434,212

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

KAYLA'S CHILDREN CENTRE
Statement of Cash Flows
For the Year Ended August 31, 2020

	2020	For the thirteen months ended August 31, 2019
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 1,747,313	\$ 3,086,212
Items not affecting cash:		
Amortization	170,584	107,906
Unrealized gain/(loss) on marketable securities	946,821	(863,817)
Realized (gain)/loss from disposal of marketable securities	(62,145)	1,860
Loss on impairment of capital assets	100,000	-
	2,902,573	2,332,161
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	459,589	(383,573)
Grants and other accounts receivable	(850,803)	105,091
Accounts payable and accrued liabilities	24,633	57,646
Forgiveness of short-term amount due from related party	-	20,000
Deferred income	(207,348)	309,605
Cash flow from operating activities	2,328,644	2,440,930
INVESTING ACTIVITIES		
Sale proceeds - marketable securities	508,447	39,333
Acquisition of property and equipment	(609,160)	(1,731,018)
Purchase of investments	(403,057)	-
Cash flow used by investing activities	(503,770)	(1,691,685)
FINANCING ACTIVITIES		
	-	-
Increase in advances to related parties	(591,751)	(614,297)
Repayment of bank loan	(100,000)	(196,335)
Cash flow used by financing activities	(691,751)	(810,632)
INCREASE (DECREASE) IN CASH FLOW	1,133,123	(61,387)
CASH - BEGINNING OF YEAR	472,518	533,905
CASH - END OF YEAR	\$ 1,605,641	\$ 472,518

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

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

1. NATURE OF OPERATIONS

Kayla's Children Centre (the "Organization", "Charity", or "KCC"), formerly known as Zareinu Educational Centre of Metropolitan Toronto, is a corporation without share capital formed by letters patent dated November 10, 1989. It is a registered charity operating a Jewish Day School and summer camp program for the developmentally handicapped in the City of Vaughan, Ontario.

The Charity is classified as a registered charity under Section 149.1 of the Income Tax Act (Canada). Since the Charity complies with the requirements specified by that Act, it is exempt from taxation and will continue to be exempt as long as it continues to comply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not for Profit Organizations ("ASNPO"). To the extent Part III of the CPAC Handbook does not address certain matters applicable to the Organization, the Organization uses accounting standards for private enterprises contained in Part II of the CPAC Handbook. Outlined below are those policies considered particularly significant for the corporation.

Fund accounting

The Charity follows the restricted fund method of accounting for contributions. The Charity ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided, and are recognized in the year received, or receivable if the amount can be reasonably estimated and collection is reasonably assured. Management reserve the right to use internally-restricted funds at their discretion for general fund activities should the financial need arise.

The General Fund accounts for the Charity's general fundraising, charitable and administrative activities. This fund reports unrestricted resources available for immediate purposes.

The Endowment Fund consists of externally-restricted donations received by the Charity and internal resources transferred by the Board of Directors, in the exercise of its discretion. With respect to the latter case, the Board of Directors may have the right to subsequently decide to remove the designation. The external restriction of those externally restricted funds allows for 5% of the market value of those funds to be transferred to the general fund for operating purposes. The investment is managed by a board member in his capacity as an investment broker at the brokerage where he works.

The Capital Fund accounts for the Charity's fundraising for the purpose of the acquisition of capital assets.

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally-restricted contributions whose capital is to be maintained permanently, are recognized as revenue of the Endowment Fund. Restricted contributions for the purchase of capital assets are recognized as revenue of the Capital Fund. Investment income earned on Endowment Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Endowment Fund. Unrestricted investment income from the Endowment Fund is recognized as revenue of the General Fund. Tuition is recognized on an accrual basis at the beginning of the school term. Fundraising revenue and revenue from other events are recognized in the fiscal year in which the relevant event takes place.

Donations

Donations include amounts donated that were not fully receipted due to rules imposed by Canada Revenue Agency concerning advantages received by the donors.

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KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials and services

Volunteers contribute a substantial number of hours each year to assist the Charity in carrying out its fundraising activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed material, capital assets and investments whose fair market value is determinable are recorded in the financial statements at those values.

Investments

Investments in Canadian securities and bonds are measured at fair value based on prevailing market rates. Revenue from investments represents interest, dividends and realized and unrealized gains and losses, net of safekeeping and investment management and other investment expenses.

Financial instruments

The Charity initially measures its financial assets and financial liabilities at fair value. The Charity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, Program fees and grants receivable, prepaid expenses and sundry assets, and amounts due from related parties.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, loans payable, deferred revenue, and amounts due to related parties.

Impairment of financial instruments

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the resulting write-down, if any, is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on the diminishing balance basis designed to amortize the assets over their estimated useful lives. The amortization rates are as follows.

Computer equipment	- 30 % per annum
Furniture and equipment	- 20 % per annum
Automobiles	- 30% per annum
Leasehold improvements	- 20 years straight-line method
Model train - Disassembled	- Unamortized

Impairment of long lived assets

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognized as revenue when there is reasonable assurance that the Organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the useful lives of property and equipment, allowance for doubtful accounts, and accruals, and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Presentation of the controlled entity

The Charity has chosen not to consolidate the organization it controls but to instead disclose information about the resources of the controlled organization.

Pledges

Due to inherent uncertainty in the collectability of pledges, they are not recognized as revenue before being received.

3. INVESTMENTS

Investments comprise the following:

	<i>2020</i>	<i>2019</i>
<u>General Fund</u>		
Bonds, at fair value	\$ 263	\$ 263
Guaranteed investment certificate, at fair value	403,058	-
 <u>Endowment Fund</u>		
Marketable securities, at fair value	\$ 8,945,968	\$ 10,339,091

The book value of the marketable securities as at August 31, 2020 was \$9,403,118 (2019 - \$9,840,786).

4. GRANTS AND OTHER ACCOUNTS RECEIVABLE

	2020	2019
Program fees	\$ 251,911	\$ 132,609
Allowance for impairment	-	(79,264)
	251,911	53,345
Government grants	552,237	-
Donation	100,000	-
	\$ 904,148	\$ 53,345

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

5. AMOUNTS DUE FROM (TO) RELATED PARTIES

	2020	2019
Amount due from management - General Fund	\$ 386	\$ -
Amount due from Project AIM Programs - Capital Fund (a)	8,425,821	7,787,322
Amount due to Project AIM Programs - General Fund (b)	(170,867)	(123,733)

- a) The amount due from Project AIM Programs (see Note 18) is unsecured, non-interest bearing and has no fixed repayment date. The parties have agreed not to demand repayment prior to September 1, 2021.
- b) The amount due to Project AIM Programs is unsecured, non-interest bearing and has no fixed repayment date. The parties have agreed not to demand repayment prior to September 1, 2021.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 182,550	\$ 145,425	\$ 37,125	\$ 40,259
Furniture and equipment	422,938	210,006	212,932	179,949
Leasehold improvements	2,227,226	151,127	2,076,099	1,751,130
Automotive	101,260	57,667	43,593	59,835
Model train	510,920	-	510,920	510,920
	\$ 3,444,894	\$ 564,225	\$ 2,880,669	\$ 2,542,093

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable and accrued liabilities	\$ 370,191	\$ 349,932
Accounts payable to Project AIM Programs (see Note 18)	134,213	127,026
Government remittances payable	-	22,361
	\$ 504,404	\$ 499,319

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

8. LOANS PAYABLE

	2020	2019
Canadian Imperial Bank of Commerce ("CIBC") non-revolving demand instalment loan bearing interest at the bank's prime rate plus 0.50% per annum. The loan was repaid in September of 2019.	\$ -	\$ 100,000

KCC also has the following additional credit facilities with CIBC:

- (a) Revolving demand line of credit for \$150,000 to be used for day to day cash flow requirements bearing interest at prime plus 0.50%. As at August 31, 2020, KCC had not drawn on this line of credit.
- (b) Business Credit Card facility for \$150,000 to be used for the purchase and payment of and for goods and services bound by the terms in the CIBC Business Credit Card Agreement (Business Liability). As at August 31, 2020, \$59,580 was drawn on this line of credit and is reported as accounts payable and accrued liabilities.

The loans from CIBC are secured by a security agreement granting a first security interest in all present and after acquired personal property and an unlimited guarantee from Project AIM Programs. As at August 31, 2020, KCC was in compliance with the financial covenant as set out in the loan terms.

9. DEFERRED REVENUE

	2020	2019
Balance, beginning of year	\$ 377,221	\$ 67,616
Less: amount recognized as revenue in the year	(310,554)	(8,783)
Plus: unearned revenue relating to following year	103,206	310,554
Plus: assumption of security deposit liability	-	10,000
Less: return of security deposits	-	(2,166)
Balance, end of year	\$ 169,873	\$ 377,221

10. CONTINGENT LIABILITIES

Guarantee of Bank Loan

The Charity is a guarantor for a bank loan to Project AIM Programs (see Note 18). The guarantee is for an unlimited amount. The loan payable matures on July 31, 2038. As at August 31, 2020, the balance outstanding in respect of the loan payable was \$5,075,000. The loan arose through Project AIM Program's acquisition of land and building. Should the debtor default on its obligations, the creditor may demand immediate payment of the loan and require the Company to pay any outstanding amounts owing.

11. LEASE COMMITMENTS

The Charity leases its premises located at 36 Atkinson Avenue in Vaughan, Ontario. The lease term is for a five year period from August 1, 2018 to July 31, 2023 with the option to extend for three further periods of five years each. Under the terms of the lease, the Charity is required to make minimum annual lease payments of \$750,000. During the 2020 fiscal year, the required payments were reduced as the government introduced relief funding for commercial tenants due to the COVID-19 pandemic. This relief program has been extended until at least March 2021, at which point the federal government will provide details about further extensions of the relief program which will last through June 2021.

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

12. PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2020, the Charity discovered it erroneously recorded repairs and maintenance that it did not incur. As a result, the following items appearing in the August 31, 2019 financial statements have been increased (decreased) by the following amounts:

Effect on balance sheet (as at August 31, 2019)

Accounts payable and accrued liabilities	\$ (19,548)
Prepaid expenses and sundry assets	\$ (1,624)
Fund balances	\$ 17,924

Effect on statement of changes in fund balances (for the year ended August 31, 2019)

Closing balance	\$ 17,924
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Effect on statement of operations (for the year ended August 31, 2019)

Expenditures	\$ (17,924)
Excess of revenue over expenditures	\$ 17,924

13. INTERFUND TRANSFERS

Amounts of \$514,138 and \$540,563 were transferred, respectively, from the endowment fund and the capital fund to the general fund to finance operations.

During the year ended August 31, 2019, amounts of \$543,243 and \$39,332 were transferred, respectively, from the general fund and endowment fund to the capital fund to finance the acquisition of capital assets

The interfund transfers were approved by the Directors of the Charity.

14. ALLOCATION OF RESTRICTED FUNDS

	2020	2019
<u>Endowment fund</u>		
Externally restricted funds	\$ 138,067	\$ 159,567
Internally restricted funds	8,807,901	10,179,524
	8,945,968	10,339,091
<u>Capital fund</u>		
Externally restricted funds	9,579,800	7,962,162
Internally restricted funds	1,716,690	2,257,253
	11,296,490	10,219,415
	\$ 20,242,458	\$ 20,558,506

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
For the Year Ended August 31, 2020

15. GOVERNMENT ASSISTANCE

	2020	2019
Federal	\$ 1,133,702	\$ 48,132
Provincial	1,043,601	1,125,064
Municipal	523,230	1,814,653
	\$ 2,700,533	\$ 2,987,849

16. NON-MONETARY TRANSACTIONS

The Charity was in receipt of rent-free usage of premises from Yeshiva Yesodei Hatora and from Yeshiva Ner Israel. Management estimates that the value of these transactions was \$12,000. The Charity also received donations in kind of \$35,920 (2019 - \$57,300). All such donations were then disbursed before the fiscal year end. Additionally, the Charity received donated shares with a market value of \$243,890.

17. FINANCIAL INSTRUMENTS

The significant financial risks to which the Charity is exposed are interest rate risk, liquidity risk, currency risk, credit risk and market risk.

(a) Interest rate risk

The Charity earns interest on interest-bearing assets and pays interest on interest-bearing liabilities. Interest rate risk arises due to the exposure to the effect of future changes in interest rates. The charity is exposed to interest rate risk arising from fluctuations in interest rates primarily on its revolving credit facility, depending on prevailing rates at renewal. In seeking to minimize the risks from interest rate fluctuations, the Charity manages exposure through its normal operating and financing activities.

(b) Liquidity risk

Liquidity risk is the risk that the charity will encounter difficulty in meeting obligations associated with financial liabilities. The Charity is exposed to liquidity risk arising from its accounts payable and accrued liabilities and its loans payable. The Charity's ability to meet obligations depends on receipt of funds in the form of revenues or advances.

(c) Currency risk

Currency risk is the risk to the Charity's holdings that arise from fluctuations in the exchange rates and the degree of volatility of these rates. The Charity's holdings with exposure to fluctuation in foreign currency exchange as at August 31, 2020 relate to investments in securities with fair value approximating \$8,945,968 denominated in US dollars in its endowment fund. The Charity does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from its tuition fees receivable. In order to reduce such credit risk, the Charity reviews the payer's credit history and considers establishing an allowance for doubtful accounts based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

(continues)

KAYLA'S CHILDREN CENTRE
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17. FINANCIAL INSTRUMENTS (continued)

(e) Market risk

There is a risk that the fair value or future cash flows of the marketable securities will fluctuate because of changes in market prices, (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all similar securities traded in the market.

18. RELATED PARTIES

Project AIM Programs ("AIM")

The Organization and Project AIM Programs are related as each of the entities are controlled by directors common to both entities. As at August 31, 2020, Project AIM Programs' assets, liabilities and fund balance deficiency totaled \$13,544,820, \$13,635,816 and \$90,996, respectively. For the year ended August 31, 2020, Project AIM Programs' revenue and expenditures were \$712,025 and \$1,077,790, respectively. For the year ended August 31, 2020, Project AIM Programs' cash flows from operating, investing, and financing activities were \$53,071 (inflow), \$2,600 (outflow) and \$1,727 (outflow), respectively. As at August 31, 2020, Project AIM Programs' non-capital resources were unrestricted, and there were no significant differences between the accounting policies of the Organization and of Project AIM Programs. As at August 31, 2020, the Organization had an economic interest in Project AIM Programs as AIM owns the real estate where the Organization operates.

Project AIM Programs is classified as a registered charity under Section 149.1 of the Income Tax Act (Canada). Since the organization complies with the requirements specified by that Act, it is exempt from taxation and will continue to be exempt as long as it continues to comply.

ZEC Atkinson Inc.

The Organization and ZEC Atkinson Inc. are related as KCC significantly influences ZEC Atkinson Inc. through common management.

ZEC Atkinson Inc. was incorporated for the purpose of purchasing a property to be assigned to Project AIM Programs. KCC was an indemnifier for the purchase.

19. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2020, donations were received from directors (directly or indirectly through corporations they control) in the aggregate amount of \$75,750 (2019 - \$99,889). Rent of \$701,875 (2019 - \$750,000) was paid to Project AIM Programs for the use of their building.

As indicated in Notes 8 and 10 above, the Charity and Project AIM Programs guaranteed each other's debts to the bank, and have not demanded any consideration in exchange for the guarantees.

During the fiscal year ended August 31, 2020, Project AIM Programs transferred its summer camp program to the Charity. Project AIM Programs did not demand any consideration in exchange for the summer camp program.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

KAYLA'S CHILDREN CENTRE
Notes to Financial Statements
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20. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a global pandemic. The pandemic has had a significant impact on the global economy and the education system.

On March 23, 2020, the Province of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. The Organization was deemed an essential workplace and has continued to operate. Management is actively monitoring the effects on its financial condition, liquidity, operations, sector and workforce.

The duration and impact of COVID-19 are unknown at this time. Since we do not know the length and severity of these developments, it is not possible to estimate the impact it will have on the financial results and condition of KCC in future periods. It is the opinion of management that the Organization has sufficient resources to mitigate any potential negative impact expected in fiscal year 2021.

21. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform with current year presentation.