KAYLA'S CHILDREN CENTRE

Financial Statements

Year Ended August 31, 2021

KAYLA'S CHILDREN CENTRE
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Year Ended August 31, 2021

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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, 2021, 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, 2021, 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 to 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, 2021 and 2020, current assets as at August 31, 2021 and 2020, and fund balances as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended August 31, 2020 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.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 17, 2022

KAYLA'S CHILDREN CENTRE

Balance Sheet

As at August 31, 2021

	General Fund 2021	Endowment Fund 2021	Capital Fund 2021	**Total 2021**	Total 2020
ASSETS					
CURRENT					
Cash	$ 1,992,077	$ -	$ 135,720	**$ 2,127,797**	$ 1,605,641
Investments *(Note 3)*	406,688	-	-	**406,688**	403,320
Grants and other accounts receivable *(Note 4)*	362,333	-	-	**362,333**	904,148
Amount due from related party *(Note 5)*	-	-	-	**-**	386
Prepaid expenses and sundry assets	93,807	-	-	**93,807**	56,529
	2,854,905	-	135,720	**2,990,625**	2,970,024
MARKETABLE SECURITIES *(Note 3)*	-	-	-	**-**	8,945,968
AMOUNT DUE FROM RELATED PARTY *(Note 5)*	8,932	-	-	**8,932**	8,425,821
PROPERTY AND EQUIPMENT *(Note 6)*	-	-	3,512,114	**3,512,114**	2,880,669
	$ 2,863,837	$ -	$ 3,647,834	**$ 6,511,671**	$ 23,222,482
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities *(Note 7)*	$ 482,576	$ -	$ -	**$ 482,576**	$ 612,365
Deferred revenue and security deposits *(Note 8)*	113,245	-	10,000	**123,245**	169,873
	595,821	-	10,000	**605,821**	782,238
AMOUNT DUE TO RELATED PARTY *(Note 5)*	-	-	-	**-**	170,867
	595,821	-	10,000	**605,821**	953,105
FUND BALANCES	2,268,016	-	3,637,834	**5,905,850**	22,269,377
	$ 2,863,837	$ -	$ 3,647,834	**$ 6,511,671**	$ 23,222,482

CONTINGENT LIABILITY *(Note 9)*

LEASE COMMITMENTS *(Note 10)*

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, 2021

	General Fund 2021	Endowment Fund 2021	Capital Fund 2021	**Total 2021**	Total 2020
FUND BALANCES - BEGINNING OF YEAR					
As previously reported	$ 2,053,787	$ 8,945,968	$ 11,296,490	**$ 22,296,245**	$ 20,630,025
Prior period adjustments *(Note 11)*	(26,868)	-	-	**(26,868)**	(81,093)
As restated	2,026,919	8,945,968	11,296,490	**22,269,377**	20,548,932
Excess (deficiency) of revenue over expenditures	683,476	(8,945,968)	(8,101,035)	**(16,363,527)**	1,720,445
Interfund transfers *(Note 12)*	(442,379)	-	442,379	**-**	-
FUND BALANCES - END OF YEAR *(Note 13)*	$ 2,268,016	$ -	$ 3,637,834	**$ 5,905,850**	$ 22,269,377

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, 2021

	General Fund 2021	Endowment Fund 2021	Capital Fund 2021	**Total 2021**	Total 2020
REVENUE					
Program revenue	$ 3,412,036	$ -	$ -	**$ 3,412,036**	$ 2,516,390
Donations	547,170	-	1,296,590	**1,843,760**	2,402,356
Events income	1,289,439	-	-	**1,289,439**	1,355,488
Government grants (excluding Canada Emergency Wage Subsidy)	756,768	-	-	**756,768**	523,230
Rental income	640,796	-	-	**640,796**	691,871
Clinical therapy services	466,591	-	-	**466,591**	-
Non-government grant	423,944	-	-	**423,944**	178,726
Canada Emergency Wage Subsidy	377,958	-	-	**377,958**	1,133,702
Investment and other income	5,424	-	-	**5,424**	2,909
	7,920,126	-	1,296,590	**9,216,716**	8,804,672
EXPENDITURES *(Schedule 1)*	7,409,857	-	211,423	**7,621,280**	6,100,323
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	510,269	-	1,085,167	**1,595,436**	2,704,349
OTHER					
Decrease in fair value of marketable securities	-	-	-	**-**	(946,821)
Loss on impairment of property and equipment	-	-	-	**-**	(100,000)
Gain (loss) on disposal of shares	2,340	(101,413)	2,784	**(96,289)**	62,917
Donations to related party *(Note 18)*	-	(8,844,555)	(13,165)	**(8,857,720)**	-
Gain (loss) on forgiveness of loan *(Note 18)*	170,867	-	(9,175,821)	**(9,004,954)**	-
	173,207	(8,945,968)	(9,186,202)	**(17,958,963)**	(983,904)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$ 683,476	$ (8,945,968)	$ (8,101,035)	**$ (16,363,527)**	$ 1,720,445

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

KAYLA'S CHILDREN CENTRE

Schedule of Expenditures **(Schedule 1)**

For the Year Ended August 31, 2021

	General Fund 2021	Endowment Fund 2021	Capital Fund 2021	**Total 2021**	Total 2020
Wages and benefits	$ 5,932,159	$ -	$ -	**$ 5,932,159**	$ 4,604,067
Rent and utilities *(Notes 15, 18)*	752,375	-	-	**752,375**	713,875
Amortization	-	-	211,423	**211,423**	170,584
Camp expenses	152,326	-	-	**152,326**	70,663
Office, general and supplies	151,314	-	-	**151,314**	64,160
Fundraising	117,936	-	-	**117,936**	231,207
Teaching and classroom expenses	108,602	-	-	**108,602**	93,130
Credit card fees	75,286	-	-	**75,286**	45,033
Insurance	48,383	-	-	**48,383**	41,116
Professional fees	33,858	-	-	**33,858**	70,480
Repairs and maintenance	32,436	-	-	**32,436**	12,908
Bank charges and interest	1,992	-	-	**1,992**	21,731
Bad debt expense (recovery)	1,750	-	-	**1,750**	(70,590)
Consulting fees	1,440	-	-	**1,440**	31,959
	$ 7,409,857	$ -	$ 211,423	**$ 7,621,280**	$ 6,100,323

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, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	**$ (16,363,527)**	$ 1,747,313
Items not affecting cash:		
Amortization	**211,423**	170,584
Unrealized loss on marketable securities	**101,413**	946,821
Realized gain from disposal of marketable securities	**-**	(62,145)
Loss on loan forgiveness	**9,004,954**	-
Donation of Endowment Fund	**8,844,555**	-
Loss on impairment of capital assets	**-**	100,000
	1,798,818	2,902,573
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**(37,278)**	459,589
Grants and other accounts receivable	**541,815**	(850,803)
Accounts payable and accrued liabilities	**(129,789)**	24,633
Deferred revenue and security deposits	**(46,628)**	(207,348)
Cash flow from operating activities	**2,126,938**	2,328,644
INVESTING ACTIVITIES		
Sale proceeds - marketable securities	**-**	508,447
Acquisition of property and equipment	**(842,865)**	(609,160)
Purchase of investments	**(3,368)**	(403,057)
Cash flow used by investing activities	**(846,233)**	(503,770)
FINANCING ACTIVITIES		
Increase in advances to related parties	**(758,549)**	(591,751)
Repayment of bank loan	**-**	(100,000)
Cash flow used by financing activities	**(758,549)**	(691,751)
INCREASE IN CASH FLOW	**522,156**	1,133,123
CASH - BEGINNING OF YEAR	**1,605,641**	472,518
CASH - END OF YEAR	**$ 2,127,797**	$ 1,605,641

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

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.

During the fiscal year, the board of directors donated the entire Endowment Fund, with the permission of the donor, to a related company. The board further decided to collapse the Endowment Fund and continue with just the General Fund and the Capital Fund.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donations

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

The global pandemic of the virus known as COVID-19 has led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization. As such, no adjustments have been made in the financial statements as a result of these events.

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:

	2021	*2020*
General Fund		
Bonds, at fair value	**$ 262**	$ 262
Guaranteed investment certificate, at fair value	**406,426**	403,058
Endowment Fund		
Marketable securities, at fair value	**$ -**	$ 8,945,968

The book value of the marketable securities as at August 31, 2021 was $nil (2020 - $9,403,118).

4. GRANTS AND OTHER ACCOUNTS RECEIVABLE

	2021	2020
Program fees (no allowance)	**$ 175,352**	$ 265,223
Government grants	**182,001**	538,925
Non-government grant	**4,980**	-
Donation	**-**	100,000
	$ 362,333	$ 904,148

5. AMOUNTS DUE FROM (TO) RELATED PARTIES

	2021	2020
Amount due from management - General Fund	**$ -**	$ 386
Amount due from Project AIM Programs - General Fund (a)	**8,932**	8,425,821
Amount due to Project AIM Programs - General Fund (b)	**-**	(170,867)

a) The amount due from Project AIM Programs (see Note 17) is unsecured, non-interest bearing and has no fixed repayment date. The parties have agreed not to demand repayment prior to September 1, 2022.

b) The amount due to Project AIM Programs was repaid during the year.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	$ 189,565	$ 157,614	**$ 31,951**	$ 37,125
Furniture and equipment	488,218	259,121	**229,097**	212,932
Automotive	101,260	70,745	**30,515**	43,593
Leasehold improvements	2,997,347	288,168	**2,709,179**	2,076,099
Model train	511,372	-	**511,372**	510,920
	$ 4,287,762	$ 775,648	**$ 3,512,114**	$ 2,880,669

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accounts payable and accrued liabilities	**$ 262,238**	$ 478,152
Accounts payable to Project AIM Programs (see Note 17)	**220,338**	134,213
	$ 482,576	$ 612,365

8. DEFERRED REVENUE AND SECURITY DEPOSITS

	2021	2020
Balance, beginning of year	**$ 169,873**	$ 377,221
Less: amount recognized as revenue in the year	**(103,206)**	(310,554)
Plus: unearned revenue relating to following year	**56,578**	103,206
Balance, end of year	**$ 123,245**	$ 169,873

9. CONTINGENT LIABILITIES

Guarantee of Bank Loan

The Charity is a guarantor for a bank loan to Project AIM Programs (see Note 17). The guarantee is for an unlimited amount. The loan payable matures on July 31, 2038. As at August 31, 2021, the balance outstanding in respect of the loan payable was $4,275,000. 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.

10. 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 2021 fiscal year, the required payments were slightly reduced as the government provided relief funding for commercial tenants due to the COVID-19 pandemic.

11. PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2021, management discovered that the Charity did not accrue wages and benefits in each of the fiscal years ended August 31, 2019 and 2020. As a result, the following items appearing in the August 31, 2021 financial statements have been increased (decreased) by the following amounts:

Effect on balance sheet (as at August 31, 2020)	
Accounts payable and accrued liabilities (General Fund)	$ 107,961
Fund balances (General Fund)	$ (107,961)

Effect on statement of changes in fund balances (as at September 1, 2019)	
Opening balance (General Fund)	$ (81,903)

Effect on statement of changes in fund balances (as at September 1, 2020)	
Opening balance (General Fund)	$ (107,961)

Effect on statement of revenues and expenditures (for the year ended August 31, 2020)	
Wages and benefits (General Fund)	$ 26,868
Excess of revenue over expenditures (General Fund)	$ (26,868)

12. INTERFUND TRANSFERS

During the year, $442,379 were transferred from the General Fund to the Capital Fund to finance the acquisition of capital assets.

During the year ended August 31, 2020, $514,138 and $540,563 were transferred, respectively, from the Endowment Fund and the Capital Fund to the General Fund to finance operations.

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

13. ALLOCATION OF RESTRICTED FUNDS

	2021	2020
Endowment Fund		
Externally restricted funds	**$ -**	$ 138,067
Internally restricted funds	**-**	8,807,901
	-	8,945,968
Capital Fund		
Externally restricted funds	**1,478,765**	9,579,800
Internally restricted funds	**2,159,069**	1,716,690
	3,637,834	11,296,490
	$ 3,637,834	$ 20,242,458

14. GOVERNMENT ASSISTANCE

	2021	2020
Federal	**$ 473,187**	$ 1,133,702
Provincial	**1,569,268**	1,043,601
Municipal	**726,472**	624,749
	$ 2,768,927	$ 2,802,052

15. 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 (2020 - $12,000). Additionally, the Charity received donated shares with a market value of $298,807 (2020 - $243,890).

16. 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.

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16. FINANCIAL INSTRUMENTS *(continued)*

(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) 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.

17. 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, 2021, Project AIM Programs' assets, liabilities and fund balance totaled $23,896,557, $4,422,855 and $19,473,702, respectively. For the year ended August 31, 2021, Project AIM Programs' revenue and expenditures were $20,860,550 and $1,295,852 respectively. For the year ended August 31, 2021, Project AIM Programs' cash flows from operating, investing, and financing activities were $2,101,720 (inflow), $627,963 (outflow) and $482,659 (inflow), respectively. As at August 31, 2021, $8,129,140 and $10,668,905 of funds were restricted to AIM's Endowment Fund and Capital Asset Fund, respectively, and there were no significant differences between the accounting policies of the Organization and of Project AIM Programs. As at August 31, 2021, 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. is a bare trustee owner of the property located at 36 Atkinson Avenue in Vaughan, Ontario. The beneficial owner of the property is AIM.

18. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2021, donations were received from directors (directly or indirectly through corporations they control) in the aggregate amount of $118,433 (2020 - $75,750). Rent of $740,375 (2020 - $701,875) was paid to Project AIM Programs for the use of their building. Additionally, during the year, the Charity forgave a net loan receivable from Project AIM Programs of $9,004,954, donated its Endowment Fund with a fair market value of $8,844,555 to Project AIM Programs, and donated $13,165 to Project AIM Programs.

As indicated in Note 9 above, the Charity guaranteed Project AIM Programs' debt to the bank, and has not demanded any consideration in exchange for the guarantee.

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.

19. COMPARATIVE FIGURES

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