KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS

Consolidated Financial Statements

Year Ended August 31, 2025

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS
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Year Ended August 31, 2025

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Grunwald&CO.
CHARTERED PROFESSIONAL ACCOUNTANTS

110 Eglinton Ave West, Suite 401
Toronto, Ontario M4R 1A3 Canada

Tel: (416) 955-0607
Fax: (416) 955-0783
Web: www.grunco.com

INDEPENDENT AUDITOR'S REPORT

To the Directors of Kayla's Children Centre & Project Aim Programs

Qualified Opinion

We have audited the consolidated financial statements of Kayla's Children Centre & Project Aim Programs (the "Organization"), which comprise the consolidated balance sheet as at August 31, 2025, and the consolidated statements of changes in fund balances, revenues and expenditures and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at August 31, 2025, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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, 2025 and 2024, current assets as at August 31, 2025 and 2024, and fund balances as at August 31, 2025, September 1, 2024 and August 31, 2024, and September 1, 2023.

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 Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

The consolidated financial statements for the year ended August 31, 2024 were subject to a compilation engagement report provided by our firm but were not audited by us and are presented for comparative purposes only. Accordingly, we do not express an opinion on those financial statements. Our opinion on the current-year consolidated financial statements is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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
March 4, 2026

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS

Consolidated Balance Sheet

As at August 31, 2025

	Consolidated General Fund 2025	Consolidated Endowment Fund 2025	Consolidated Capital Fund 2025	**Total 2025**	Total 2024
ASSETS					
CURRENT					
Cash	$ 5,266,689	$ -	$ 233,428	**$ 5,500,117**	$ 2,809,312
Grants and other accounts receivable *(Note 3)*	550,332	-	-	**550,332**	568,209
Interfund loan receivable *(Note 4)*	1,691,839	-	-	**-**	-
Public service body rebate recoverable	621,020	-	-	**621,020**	220,161
Security deposit	23,628	-	-	**23,628**	23,628
Prepaid expenses and sundry assets	53,110	-	-	**53,110**	81,019
	8,206,618	-	233,428	**6,748,207**	3,702,329
MARKETABLE SECURITIES	262	10,809,363	-	**10,809,625**	8,278,408
AMOUNT DUE FROM RELATED PARTY *(Note 5)*	1,000,000	-	-	**1,000,000**	147,691
PROPERTY AND EQUIPMENT *(Note 6)*	-	-	34,029,348	**34,029,348**	23,848,595
INTANGIBLE ASSET *(Note 7)*	-	-	-	**-**	118,201
	$ 9,206,880	$ 10,809,363	$ 34,262,776	**$ 52,587,180**	$ 36,095,224
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities *(Note 8)*	$ 650,743	$ -	$ 96,502	**$ 747,245**	$ 695,356
Mortgage payable *(Note 9)*	-	-	1,800,000	**1,800,000**	-
Interfund loan payable *(Note 4)*	-	-	1,691,839	**-**	-
Deferred revenue and security deposits *(Note 10)*	220,028	-	10,000	**230,028**	285,011
	870,771	-	3,598,341	**2,777,273**	980,367
FUND BALANCES	8,336,109	10,809,363	30,664,435	**49,809,907**	35,114,857
	$ 9,206,880	$ 10,809,363	$ 34,262,776	**$ 52,587,180**	$ 36,095,224

CONTINGENT LIABILITIES *(Note 11)*

APPROVED ON BEHALF OF THE BOARD:

Daniel A Gordon _____ *Director*

_____ *Director*

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

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS
Consolidated Statement of Changes in Fund Balances
For the Year Ended August 31, 2025

	Consolidated General Fund 2025	Consolidated Endowment Fund 2025	Consolidated Capital Fund 2025	**Total 2025**	Total 2024
FUND BALANCES - BEGINNING OF YEAR	$ 5,619,785	$ 8,278,146	$ 21,216,926	**$ 35,114,857**	$ 30,922,819
EXCESS OF REVENUE OVER EXPENDITURES	2,949,582	2,893,745	8,851,723	**14,695,050**	4,192,038
INTERFUND TRANSFERS *(Note 12)*	(233,258)	(362,528)	595,786	**-**	-
FUND BALANCES - END OF YEAR *(Note 18)*	$ 8,336,109	$ 10,809,363	$ 30,664,435	**$ 49,809,907**	$ 35,114,857

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

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS

Consolidated Statement of Revenues and Expenditures

For the Year Ended August 31, 2025

	Consolidated General Fund 2025	Consolidated Endowment Fund 2025	Consolidated Capital Fund 2025	**Total 2025**	Total 2024
REVENUE					
Donations	$ 863,315	$ -	$ 9,968,118	**$ 10,831,433**	$ 2,901,554
Program revenue *(Notes 13, 15)*	7,480,953	-	-	**7,480,953**	7,504,238
Government grants *(Note 15)*	5,177,361	-	-	**5,177,361**	1,574,181
Charitable events	2,119,629	-	-	**2,119,629**	2,358,739
Therapy clinic revenue	1,247,992	-	-	**1,247,992**	1,031,447
Rental income *(Note 14)*	410,985	-	-	**410,985**	323,180
Non-government grant	104,940	-	-	**104,940**	118,850
Investment and other income	87,174	-	-	**87,174**	48,588
	17,492,349	-	9,968,118	**27,460,467**	15,860,777
EXPENDITURES *(Schedule 1)*	14,542,767	-	1,116,395	**15,659,162**	13,140,825
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	2,949,582	-	8,851,723	**11,801,305**	2,719,952
OTHER ITEMS					
Gain in market value of marketable securities	-	2,819,612	-	**2,819,612**	1,483,448
Gain (loss) on sale of marketable securities	-	74,133	-	**74,133**	(11,362)
	-	2,893,745	-	**2,893,745**	1,472,086
EXCESS OF REVENUE OVER EXPENDITURES	$ 2,949,582	$ 2,893,745	$ 8,851,723	**$ 14,695,050**	$ 4,192,038

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

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS

Consolidated Schedule of Expenditures **(Schedule 1)**

For the Year Ended August 31, 2025

	Consolidated General Fund 2025	Consolidated Endowment Fund 2025	Consolidated Capital Fund 2025	**Total 2025**	Total 2024
Wages and benefits *(Note 16)*	$ 11,133,300	$ -	$ -	**$ 11,133,300**	$ 9,570,396
Amortization	-	-	1,040,618	**1,040,618**	946,713
Repairs and maintenance	667,171	-	-	**667,171**	653,328
Office, general and supplies	504,494	-	-	**504,494**	338,853
Camp expenses	432,184	-	-	**432,184**	354,353
School expenses	466,102	-	-	**466,102**	352,336
Fundraising	371,066	-	-	**371,066**	280,625
Software implementation expenses *(Note 7)*	353,478	-	-	**353,478**	-
Utilities	220,708	-	-	**220,708**	200,210
Credit card fees	164,065	-	-	**164,065**	124,574
Insurance	116,248	-	-	**116,248**	111,224
Mortgage interest	-	-	75,777	**75,777**	39,865
Professional fees	48,977	-	-	**48,977**	70,645
Bank charges and interest	25,078	-	-	**25,078**	17,095
Bad debt expense	22,190	-	-	**22,190**	57,672
Pool expenses	12,044	-	-	**12,044**	16,936
Rent and utilities *(Note 17)*	5,662	-	-	**5,662**	6,000
	$ 14,542,767	$ -	$ 1,116,395	**$ 15,659,162**	$ 13,140,825

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

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KAYLA'S CHILDREN CENTRE & PROJECT AIM PROGRAMS

Consolidated Statement of Cash Flows

For the Year Ended August 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 14,695,050**	$ 4,192,039
Items not affecting cash:		
Amortization	**1,040,618**	946,713
Gain in market value of investments	**(2,819,612)**	(1,483,447)
Loss (gain) on sale of marketable securities	**(74,133)**	11,362
Fair value of rental revenue *(Note 14)*	**(216,000)**	-
	12,625,923	3,666,667
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	**27,909**	(70,877)
Grants and other accounts receivable	**17,877**	751,776
Accounts payable and accrued liabilities	**51,889**	148,315
Deferred revenue and security deposits	**(54,983)**	(241,215)
Public service body rebate recoverable	**(400,859)**	(220,161)
Cash flow from operating activities	**12,267,756**	4,034,505
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(11,005,371)**	(916,358)
Decrease (increase) in intangible asset	**118,201**	(118,201)
Increase in advances to related parties	**(852,309)**	(147,691)
Proceeds of sale of securities	**362,528**	378,559
Cash flow used by investing activities	**(11,376,951)**	(803,691)
FINANCING ACTIVITIES		
Repayment of demand loan	**-**	(1,675,000)
Increase in mortgage payable	**1,800,000**	-
Cash flow from (used by) financing activities	**1,800,000**	(1,675,000)
INCREASE IN CASH FLOW	**2,690,805**	1,555,814
CASH - BEGINNING OF YEAR	**2,809,312**	1,253,498
CASH - END OF YEAR	**$ 5,500,117**	$ 2,809,312

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

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1. NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Kayla's Children Centre ("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 operates a Jewish Day School and summer camp program for the developmentally handicapped in the City of Vaughan, Ontario.

Project Aim Programs ("AIM") is a corporation without share capital formed by letters patent dated July 15, 2011. AIM promotes the efficiency and effectiveness of other registered charities by providing and maintaining facilities.

Both KCC and AIM (collectively, the "Charities" or "Organization") are registered charities under Section 149.1 of the Income Tax Act (Canada). Since the Charities comply with the requirements specified by that Act, they are exempt from taxation and will continue to be exempt as long as they continue to comply.

KCC controls AIM because AIM's board of directors is a subset of KCC's board and AIM was established to hold and maintain facilities for use by other registered charities, with KCC as the primary beneficiary. This gives KCC the continuing power to determine the strategic operating, investing, and financing policies of AIM without the co-operation of others (Section 4450). In accordance with Section 4450, KCC has elected to consolidate AIM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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 Organization.

Basis of consolidation

These consolidated financial statements include the accounts of Kayla's Children Centre and its controlled entity Project Aim Programs (see Note 1). Consolidation is performed in accordance with Section 4450 and follows the procedures in Section 1601 Consolidated Financial Statements.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions. The Organization 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 Organization'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 Organization 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 reports the assets, liabilities, revenues and expenditures related to the capital projects of the Organization.

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

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. Restricted contributions for the purchase of property and equipment are recognized as revenue of the Capital Fund. Program revenue, fundraising revenue, revenue from other events and clinical therapy services are recognized in the fiscal year in which the relevant program and/or event takes place. Rental income is recognized on a straight-line basis over the term of the lease. Investment income is recognized when earned.

Externally-restricted contributions whose capital is to be maintained permanently, are recognized as revenue of the Endowment 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.

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 Organization 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, property and equipment 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 Organization initially measures its financial assets and financial liabilities at fair value. The Organization 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, grants and other accounts receivable, interfund loan receivable, public service body rebate recoverable, security deposit and amount due from related party.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, mortgage payable, interfund loan payable, and deferred revenue and security deposits.

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.

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

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:

Land	- N/A unamortized
Buildings	- 4% declining balance method
Motor vehicles	- 30% declining balance method
Computer and software equipment	- 30% declining balance method
Furniture and equipment	- 20% declining balance method
School bus	- 30% declining balance method
Model train	- 50% declining balance method

Impairment of long lived assets

Property and equipment and intangible assets 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.

Pledges

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

3. GRANTS AND OTHER ACCOUNTS RECEIVABLE

	2025	2024
Program fees net of allowance of $68,612 (2024 - $68,612)	**$ 493,339**	$ 314,058
Government grants	**56,993**	254,151
	$ 550,332	$ 568,209

4. INTERFUND LOAN

The interfund loan was approved by the Directors of the Organization, bears no interest and is not governed by terms of repayment.

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5. AMOUNT DUE FROM RELATED PARTY AND OTHER RELATED PARTY TRANSACTIONS

As at August 31, 2025, KCC has an unsecured loan receivable of $1 million from a key manager and spouse (jointly the "Borrowers"). The loan is repayable in annual principal installments of $100,000 commencing December 31, 2026, with any remaining balance due on August 31, 2035 (10 years after the final advance). Repayments are applied to the earliest advances first. The loan bears interest at the lesser of 6% and the CRA prescribed rate in effect at the date of each advance; however, no interest is payable except upon default. Instead, an annual taxable interest benefit is included on the manager's T4 equal to the applicable interest rate multiplied by the outstanding principal (up to $500,000 without gross-up; excess with an annual salary gross-up sufficient to cover all personal taxes on the benefit and the gross-up itself). The loan is recorded at its principal amount. No interest receivable has been recognized, and no impairment has been recorded.

KCC occupies premises owned by AIM. Inter-entity rent and lease arrangements are eliminated on consolidation. KCC has provided an unlimited guarantee on AIM's credit facilities (see Note 9).

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2025 Net book value**	2024 Net book value
Land	$ 11,214,606	$ -	**$ 11,214,606**	$ 4,891,403
Buildings	25,610,234	3,847,740	**21,762,494**	18,519,609
Motor vehicles	167,459	25,119	**142,340**	-
Computer and software equipment	277,172	213,147	**64,025**	43,275
Furniture and equipment	1,320,308	542,813	**777,495**	268,783
School bus	105,416	94,557	**10,859**	10,466
Model train	511,372	453,843	**57,529**	115,059
	$ 39,206,567	$ 5,177,219	**$ 34,029,348**	$ 23,848,595

During the year, AIM acquired campgrounds consisting of land, building and equipment to support and expand its program activities. The total cost of approximately $9 million has been capitalized under land, buildings, and furniture and equipment. The acquisition was primarily financed through significant contributions received from major donors.

7. INTANGIBLE ASSET

	2025	2024
Customer relationship management software	**$ -**	$ 118,201

During the year, KCC wrote down its customer relationship management ("CRM") software intangible asset to $nil. The write-down resulted from determining that the CRM operates under a software-as-a-service (SaaS) arrangement, such that the capitalized implementation costs no longer qualify for recognition as an intangible asset. The amount is included in software implementation expenses in the statement of revenue and expenditures.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of $77,590 (2024 - $37,349). Government remittances of $80,473 (2024 - $67,256) were paid to the payroll service provider prior to August 31, 2025, at which time the related liability was reduced. The payroll service provider remitted these amounts to Canada Revenue Agency in the first week of September 2025.

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9. MORTGAGE PAYABLE AND CREDIT FACILITIES

The consolidated financial statements of KCC and AIM include the following credit facilities with Canadian Imperial Bank of Commerce under a credit agreement dated February 13, 2025: (i) a revolving demand credit facility of up to $1.5 million, bearing interest at prime + 0.5%, (ii) non-revolving standby letter of credit facilities totaling $136,545, and (iii) a non-revolving demand term facility of $5 million, bearing interest at prime + 0.5%, repayable in 156 monthly principal instalments of $32,052 plus interest. AIM fully repaid the mortgage in October 2025.

All facilities are repayable on demand.

The facilities are secured by general security agreements granting first priority security interests over all present and after-acquired personal property for both entities, a collateral mortgage of $8 million registered against the property located at 36 Atkinson Avenue in Vaughan, Ontario, assignments of rents and insurance, and an unlimited guarantee and postponement of claim provided by KCC. The security is shared and cross-collateralized across both entities and all facilities and also secures any derivative obligations with the lender or its affiliates.

The credit agreement requires the maintenance of a minimum debt service ratio of 1.25:1, tested annually on a consolidated basis for KCC and AIM.

10. DEFERRED REVENUE AND SECURITY DEPOSITS

	2025	2024
Deferred revenue		
Balance, beginning of year	**$ 223,011**	$ 464,226
Less: amount recognized as revenue in the year	**(223,011)**	(464,226)
Plus: deferred revenue relating to following year (i)	**168,028**	223,011
	168,028	223,011
Plus: security deposits	**62,000**	62,000
Balance, end of year	**$ 230,028**	$ 285,011

(i) As at August 31, 2025, deferred revenue consists of the following:

- Deferred tuition revenue: $168,028 (2024 - $173,011); and,
- Government grants from the Resilient Communities Fund (administered by the Ontario Trillium Foundation): $nil (2024 - $50,000).

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11. CONTINGENT LIABILITIES

Pending Litigation

The Organization was named as a defendant in a claim for damages of $1 million commenced in connection with an alleged physical incident in July 2018 involving an independent contractor and a child attending the Organization's facilities. The action was dismissed due to delay. The plaintiff has brought a motion to reinstate the action, which the Organization is opposing. The Organization has contested the claim throughout. Neither the possible outcome (including whether the action will be reinstated) nor the amount of any possible settlement, if any, can be reasonably estimated. Accordingly, no provision has been recognized in the financial statements.

Canada-Wide Early Learning and Child Care ("CWELCC")

During the year, KCC received funding under the CWELCC program administered by York Region. This funding is subject to future reconciliation and review by York Region, and there is a possibility that a portion may need to be repaid if eligible costs are determined to be lower than funding received. The amount of any potential repayment, if any, cannot be reasonably estimated at this time. Based on information available at the reporting date, repayment is not considered probable. Accordingly, no provision has been recognized.

12. INTERFUND TRANSFERS

During the year, $362,528 and $233,258 were transferred from the Endowment Fund and the General Fund, respectively, to the Capital Fund to finance capital asset expenditures.

During the year ended August 31, 2024, $362,528 and $1,724,314 were transferred from the Endowment Fund and the Capital Fund, respectively, to the General Fund to finance operational expenditures

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

13. PROGRAM REVENUE

Included in program revenue is tuition income in the amount of $1,507,667 (2024 - $2,109,155) which includes the amount received or receivable from parents during the year. Total tuition charged by KCC (before considering subsidies and grant funds from the CWELCC program) was $3,709,245 (2024 - $4,086,781). The shortfall of $2,201,578 (2024 - $1,977,626) was covered via subsidies and grants that were financed through donations, charitable events income and government grants.

14. RENTAL REVENUE

During the year, AIM leased back the campground it acquired to the seller under a short-term operating lease from February to August 2025 at nominal rent of $1, with fair value of $216,000 recognized as rental revenue over the term.

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15. GOVERNMENT ASSISTANCE

	2025	2024
Included in program revenue		
Provincial	**$ 2,781,464**	$ 2,180,859
Municipal	**1,062,213**	1,214,162
Federal	**997,438**	843,960
	4,841,115	4,238,981
Included in government grants		
Federal	**4,337,480**	465,888
Provincial (i)	**470,000**	263,060
Municipal	**369,881**	845,233
	5,177,361	1,574,181
	$ 10,018,476	$ 5,813,162

(i) Included in Provincial government grants is $nil (2024 - $116,667) of amounts received in connection with Ontario Autism Program's Workforce Capacity Fund.

16. WAGES AND BENEFITS

Included in wages and benefits is $nil (2024 - $116,667) of amounts paid to staff in connection with Ontario Autism Program's Workforce Capacity Fund.

17. NON-MONETARY TRANSACTIONS

KCC was in receipt of rent-free usage of premises from Yeshiva Ner Israel. Management estimates that the value of these transactions was $6,000 (2024 - $6,000). Additionally, the KCC received donated shares and other gifts in kind with a market value of $350,758 (2024 - $243,278).

18. ALLOCATION OF RESTRICTED FUNDS

	2025	2024
Consolidated Endowment Fund		
Externally restricted	**$ 215,066**	$ 159,360
Internally restricted	**10,594,297**	8,118,786
	$ 10,809,363	$ 8,278,146
Consolidated Capital Fund		
Externally restricted	**$ 19,467,417**	$ 11,123,118
Internally restricted	**11,197,018**	10,212,009
	$ 30,664,435	$ 21,335,127

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19. FINANCIAL INSTRUMENTS

The significant financial risks to which the Organization is exposed are interest rate risk, liquidity risk, credit risk and other price 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) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization is exposed to credit risk primarily from its program fees receivable and a significant loan receivable from related parties. The maximum exposure to credit risk at the reporting date is the carrying amount of these financial assets (approximately $500,000 for program fees receivable plus $1 million for the loan receivable). No collateral is held as security for either exposure. The Organization manages credit risk on program fees receivable by reviewing payers' credit history before extending credit and establishing an allowance for doubtful accounts based on specific account risks, historical trends, and other information. Credit risk on the loan receivable is managed through the related party relationship, scheduled principal repayments, and ongoing monitoring. There is a significant concentration of credit risk related to the loan receivable from a single counterparty.

(d) Other price risk

The Organization is exposed to certain price risks which cause the fair value of its investments in marketable securities to fluctuate. To protect against this risk, the Organization has developed an investment policy which requires diversified investments to ensure the portfolio meets specific requirements. As a result, it is management's opinion that the Organization is not exposed to significant other price risk arising from its marketable securities.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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