

Financial Statements of

**KIDS UP FRONT FOUNDATION
(CALGARY)**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kids Up Front Foundation (Calgary)

Qualified Opinion

We have audited the financial statements of Kids Up Front Foundation (Calgary)

(the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of Kids Up Front Foundation (Calgary) as at December 31, 2020, and its results of its 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 not-for-profit organizations, the Entity derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.



Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2020 and December 31, 2019
- the donations and fundraising revenues and excess (deficiency) of revenues over expenses reported in the statements of operations and changes in net assets for the years ended December 31, 2020 and December 31, 2019
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of operations and changes in net assets for the years ended December 31, 2020 and December 31, 2019
- the excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2020 and December 31, 2019.

Our opinion on the financial statements for the year ended December 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ report.

We are independent of the Entity 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 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 Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.



Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

June 24, 2021

KIDS UP FRONT FOUNDATION (CALGARY)

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 322,836	\$ 126,422
Term deposits (note 4)	–	180,000
Accounts receivable (note 5)	14,814	10,726
Prepaid expenses	13,033	5,359
	<u>350,683</u>	<u>322,507</u>
Capital assets (note 6)	9,307	25,773
	<u>\$ 359,990</u>	<u>\$ 348,280</u>

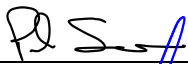
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,249	\$ 18,923
Deferred contributions (note 7)	–	11,535
Deferred revenue (note 9)	8,423	20,800
	<u>32,672</u>	<u>51,258</u>
Deferred capital contributions (note 8)	5,500	20,536
	<u>38,172</u>	<u>71,794</u>
Unrestricted net assets	321,818	276,486
	<u>\$ 359,990</u>	<u>\$ 348,280</u>

Commitments (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Board member



Board member

KIDS UP FRONT FOUNDATION (CALGARY)

Statement of Operations and Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Tickets – in kind	\$ 288,881	\$ 2,282,777
Program and special event revenue	163,875	289,816
Donations – cash	79,295	108,554
Government assistance (note 14)	78,969	–
Donations – in kind	34,658	32,610
Grants	55,415	16,808
Amortization of deferred capital contributions (note 8)	15,036	15,035
Interest	2,910	4,745
Other	19,846	18,952
	<hr/> 738,885	<hr/> 2,769,297
Expenditures:		
Tickets – in kind	288,881	2,282,777
Salaries and related benefits	178,761	256,274
Program and special event expenses	72,230	172,428
Professional fees – in kind	45,924	42,610
General and administration	53,267	43,066
Rent	35,812	35,599
Amortization	18,678	18,679
	<hr/> 693,553	<hr/> 2,851,433
Excess (deficiency) of revenues over expenditures	45,332	(82,136)
Unrestricted net assets, beginning of year	276,486	358,622
Unrestricted net assets, end of year	<hr/> \$ 321,818	<hr/> \$ 276,486

See accompanying notes to financial statements.

KIDS UP FRONT FOUNDATION (CALGARY)

Statement of Cash Flow

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operations		
Excess (deficiency) of revenues over expenditures	\$ 45,332	\$ (82,136)
Item not affecting cash:		
Amortization	18,678	18,679
Amortization of deferred capital contributions (note 8)	(15,036)	(15,035)
	48,974	(78,492)
Change in non-cash working capital items		
Accounts receivable	(4,088)	9,984
Prepaid expenses	(7,674)	(3,928)
Accounts payable and accrued liabilities	5,326	6,629
Deferred contributions (note 7)	(11,535)	11,535
Deferred revenue	(12,377)	(1,800)
	18,626	(56,072)
Investing:		
Redemption of term deposits	180,000	120,000
Purchase of capital assets	(2,212)	–
	177,788	120,000
Increase in cash and cash equivalents	196,414	63,928
Cash and cash equivalents, beginning of year	126,422	62,494
Cash and cash equivalents, end of year	\$ 322,836	\$ 126,422

See accompanying notes to financial statements.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

1. Nature of operations:

Kids Up Front Foundation (Calgary) (the "Foundation") is a charitable organization that receives donation of tickets to entertainment events and education opportunities from the local corporate community, event organizations and the public. The Foundation then distributes the tickets to other charitable organizations to provide their clients under the age of 18 and their families with opportunities to attend events they would otherwise not be able to attend. The Foundation also provides opportunities to these organizations for their clients under the age of 18 and their families to participate in activities specifically arranged for them.

In June 2000, the Foundation was incorporated as a not-for-profit entity under the Societies Act of the Province of Alberta and commenced active operations in November of that year. The Foundation is a registered charity under the Income Tax Act and is exempt from tax under section 149 of the Income Tax Act.

Kids Up Front Foundation (Canada) is the national governing body of the other local Kids Up Front Foundation. Atlantic, Calgary, Edmonton, Ottawa, Toronto, and Vancouver Kids Up Front Foundations are related by virtue of the fact that they all fall under the regulation of the same governing body (Kids Up Front Foundation (Canada)).

2. Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations ("ASNPO").

On March 11, 2020, the Coronavirus COVID-19 ("COVID-19") outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures include implementation of travel bans, self-imposed quarantine periods and social distancing, which are causing material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These measures have caused a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. These factors may impact future funding. The potential direct and indirect impacts of the economic downturn have been considered in the Foundation's estimates and assumptions at year end and have been reflected in the results.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

2. Basis of presentation (continued):

Market conditions had improved over the course of the third and early fourth quarters of 2020 as local and national governments began re-opening their economies, but the recent resurgence of COVID-19 cases (including cases related to variants or mutations of the COVID-19 virus) in certain geographic areas, and the possibilities that a resurgence may occur in other areas, has resulted in the re-imposition of certain restrictions noted above by local authorities. In addition, while vaccines are beginning to be distributed, there is uncertainty as to the timing, level of adoption, duration of efficacy and overall effectiveness of the vaccine against variants or mutations. As such, the COVID-19 pandemic continues to present challenges to the Foundation.

While the full impact is not yet known, the Foundation will continue to monitor the impact of the pandemic and reflect the consequences as appropriate in accounting and reporting. The Foundation continues to use its assets and meet its current obligations as they come due.

3. Significant accounting policies:

(a) Measurement of financial instruments:

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost except for cash and cash equivalents and term deposits, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in net assets.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment:

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations and changes in net assets. 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 and changed in net assets.

(b) Cash and cash equivalents:

The Foundation considers all investment with original maturities of three months or less to be cash equivalents.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

3. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the asset's estimated useful life. The estimated useful life of computer equipment is three years, office furniture and fixtures is five years. Amortization on leasehold improvements is calculated over the lease term, which is five years.

The Foundation records a write-down when equipment no longer has any long-term service potential to the Foundation and its net carrying amount exceeds its residual value. The excess net carrying amount over residual value is recognized as an expense in the statement of operations. Previous write-downs are not reversed.

(d) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations of services are recognized when the fair value can be reasonably estimated and the services are used in the normal course of operations. The fair value of donated tickets is estimated to be equal to their face value in the absence of any other method of valuing the tickets.

Donations of advertising time received from various local radio stations are not in the normal course of the Foundation's operations and would not have otherwise been purchased; further, the fair value of such donations cannot be reasonably estimated and therefore have not been recognized in these financial statements.

Contributions restricted for the purchase of capital assets are recorded as deferred capital contributions and amortized into revenue in order to match the amortization recorded on the capital assets.

(e) Government assistance:

The Foundation periodically applies for financial assistance under available government assistance programs. Government assistance is recorded in income for the period to which it relates.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

3. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Consequently, actual results could differ from those estimates.

These estimates and judgements have been made taking into consideration the economic impact of the COVID-19 Pandemic and the significant economic volatility and uncertainty it has created, however, the future impact of COVID-19 cannot be reasonably estimated at this time.

4. Term deposits:

Term deposits as at December 31, 2019 are comprised of one guaranteed investment certificate bearing an interest rate of 2.06%. The guaranteed investment certificate matured on October 15, 2020 and was transferred to cash and cash equivalents.

5. Accounts receivable:

Included in accounts receivable is \$1,080 (2019 – \$3,047) of government remittances recoverable in relation to GST.

6. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 44,113	\$ 41,901	\$ 2,212	\$ 11,583
Office Furniture/Fixtures	595	476	119	238
Leasehold improvements	34,880	27,904	6,976	13,952
Total	\$ 79,588	\$ 70,281	\$ 9,307	\$ 25,773

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

7. Deferred contributions:

	2020	2019
Balance, beginning of year	\$ 11,535	\$ –
Grant received during the year	–	15,000
Amounts recognized during the year	(11,535)	(3,465)
Balance, end of year	\$ –	\$ 11,535

During the year ended December 31, 2019, the Foundation received \$15,000 in grant contribution for the purpose of conducting a research study. The contribution is to be realized in a 50/50 manner as total costs of the research study are incurred. At December 31, 2020, the grant was spent in its entirety.

8. Deferred capital contributions:

	2020	2019
Balance, beginning of year	\$ 20,536	\$ 35,571
Amounts recognized as revenue during the year	(15,036)	(15,035)
Balance, end of year	\$ 5,500	\$ 20,536

9. Deferred revenue:

Deferred revenue is the collection of registration fees for a poker tournament to be held by the Foundation in February 2021 (2019: registration fees for a poker tournament held by the Foundation in February 2020). Due to COVID-19 restrictions, the event has been postponed indefinitely.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

10. Charitable Fundraising Act of Alberta

As required under Alberta's *Charitable Fund-raising Act Regulation*, the following amounts are disclosed for fundraising activities in the province of Alberta.

	2020	2019
Revenue:		
Gross contributions received	\$ 243,170	\$ 398,370
Expenses:		
Program and special events (soliciting expenses)	72,230	172,428
Salaries and related benefits (fundraising)	17,299	29,108
Total Expenses	\$ 89,529	\$ 201,536

Total contributions include all the funding received from programs and special events and cash donations. These gross contributions were used as noted above with the remainder of contributions used to fund program related salaries and related benefits.

Total remuneration paid to employees includes their salaries and related company benefits whose duties involve fundraising.

11. Commitments:

During the year, the Foundation's office lease agreement was amended and the new rate effective January 2021 is \$1,867 per month. The lease term has not been extended and expires in November, 2021. This lease commits the Foundation to the estimated payments as follows:

2021	\$	20,537
------	----	--------

12. Related party transactions:

Donations of \$25,334 (2019 – \$28,334) were collected from Kids Up Front Foundation (Toronto) on behalf of Kids Up Front Foundation (Calgary).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

KIDS UP FRONT FOUNDATION (CALGARY)

Notes to Financial Statements

Year ended December 31, 2020, with comparative information for 2019

13. Financial instruments:

The Foundation's use of financial instruments and its exposure to risk associated with such instruments arises out of its normal course of operations and financing activities. Operations are in Alberta.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to the risk that the fair value of its term deposits that bear interest at a mixed rate will fluctuate because of changes in the market rate of interest.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation does have a liquidity risk related to accounts payable and accrued liabilities of \$24,249 (2019 – \$18,923). The liquidity risk exposure is low as there is cash equivalents of \$322,836 (2019 - \$126,422) available to settle accounts payable.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to its accounts receivable, cash and cash equivalents and term deposits. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Cash and cash equivalents are deposited with Canadian commercial banks.

There have been no changes in the risk exposure as compared to the prior year except as described in note 2 and note 3(f).

14. Government assistance:

The Government of Canada created several programs to provide assistance to companies who experienced a decrease in revenues resulting from the COVID-19 outbreak. During the year, the Foundation met the eligibility requirements and accrued \$72,105 (2019 – \$nil) for the Canadian Emergency Wage Subsidy, \$3,500 (2019 - \$nil) for Temporary Wage subsidy and \$3,364 (2019 - \$nil) for Canada Emergency Rent Subsidy for applications relating to fiscal 2020. The entire amount has been recognized as government assistance on the statement of operations for the year ended December 31, 2020.