

Smilezone Foundation
Financial Statements
For the year ended December 31, 2023

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9



Tel: 289 881 1111
Fax: 905 845 8615
www.bdo.ca

BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

To the Board of Directors of Smilezone Foundation

Qualified Opinion

We have audited the financial statements of Smilezone Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in net assets 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 Foundation as at December 31, 2023, and the 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 Foundation derives revenue from donations and special events, 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and special events revenue, excess of revenue over expenditures, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 4 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect to this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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 Foundation'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 Foundation'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 Foundation 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
May 30, 2024

Smilezone Foundation
Statement of Financial Position

December 31	2023	2022
		(As restated - Note 4)

Assets

Current

Cash and cash equivalents	\$ 947,719	\$ 773,992
Harmonized sales tax receivable	53,127	107,636
Prepaid expenses	416	416
	\$ 1,001,262	\$ 882,044

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 3)	\$ 76,469	\$ 44,788
Deferred contributions	77,893	66,039
	154,362	110,827

Net assets

Unrestricted funds	846,900	771,217
	\$ 1,001,262	\$ 882,044

On behalf of the Board:

	Director
	Director

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

Smilezone Foundation
Statement of Operations and Changes in Net Assets

<u>For the year ended December 31</u>			<u>2023</u>	<u>2022</u>
				(As restated - Note 4)
	<u>Construction Builds</u>	<u>General Fundraising</u>	<u>Total</u>	<u>Total</u>
Revenue				
Donations	\$ -	\$ 284,067	\$ 284,067	\$ 414,018
Special events	-	654,703	654,703	576,745
Corporate sponsorship	-	267,500	267,500	184,938
	-	1,206,270	1,206,270	1,175,701
Expenditures				
Accounting and legal	21,010	3,708	24,718	28,365
Advertising and promotion	31,193	5,504	36,697	519
Credit card fees	5,778	5,778	11,556	11,917
Interest and bank charges	492	493	985	764
Materials and sub-trades	467,334	-	467,334	312,232
Office supplies and general	19,016	8,150	27,166	29,920
Programming	14,000	-	14,000	12,844
Salaries and benefits	218,892	93,811	312,703	244,769
Tournament expenses	-	217,792	217,792	215,081
Travel	16,784	852	17,636	23,910
	794,499	336,088	1,130,587	880,321
Excess of revenue over expenditures for the year			75,683	295,380
Net assets, beginning of year			771,217	475,837
Net assets, end of year			\$ 846,900	\$ 771,217

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

Smilezone Foundation
Statement of Cash Flows

For the year ended December 31	2023	2022
		(As restated - Note 4)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	\$ 75,683	\$ 295,380
Changes in non-cash working capital balances		
Harmonized sales tax receivable	54,509	(59,745)
Accounts payable and accrued liabilities	31,681	(94,756)
Deferred contributions	11,854	40,000
Increase in cash and cash equivalents during the year	173,727	180,879
Cash and cash equivalents, beginning of year	773,992	593,113
Cash and cash equivalents, end of year	\$ 947,719	\$ 773,992
Cash and cash equivalents consists of the following:		
Cash	\$ 347,719	\$ 773,992
Redeemable GIC	600,000	-
	\$ 947,719	\$ 773,992

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

Smilezone Foundation

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

The Smilezone Foundation (the "Foundation") is a charity incorporated without share capital under the Canada Not-for-profit Corporations Act. The Foundation's purpose is to create, build, and transform areas (zones) in hospitals, private treatment and development centres and children clinics, in order to improve the lives of children facing illness, disabilities, physical and emotional obstacles. The Foundation is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Foundation's bank accounts and a redeemable Guaranteed Investment Certificate (GIC) that earns interest at 4.85% and matures in June 2024.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions, which includes donations, special events, corporate sponsorship and third party events. Deferred contributions represent unspent restricted donations. 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.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Smilezone Foundation Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Allocation of Expenditures

The Foundation reports expenditures based on various operating functions as disclosed on the statement of operations and changes in net assets. Costs for each function include salaries and benefits and various other amounts that are directly attributable to the function. The Foundation also incurs a number of general support costs that are common to various functions. The Foundation allocates certain common general support expenditures based on the following:

	Construction Builds	General Fundraising
Accounting and legal	85%	15%
Advertising and promotion	85%	15%
Credit card fees	50%	50%
Interest and bank charges	50%	50%
Office supplies and general	70%	30%
Salaries and benefits	70%	30%

2. Related Party Transactions

The Foundation receives project management and office space at no cost from a corporation controlled by a Director of the Foundation.

The Foundation paid \$4,691 for travel expenditures (2022 - \$18,688 for cleaning services included in materials and sub-trades on the statement of operations and changes in net assets), to corporations controlled by a Director of the Foundation. The transactions were in the normal course of operations and were recorded at the exchange amount.

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances of \$2,787 (2022 - \$3,738).

Smilezone Foundation
Notes to Financial Statements

December 31, 2023

4. Prior Period Restatement

During the current year, the Foundation determined that contributions received in the prior year of \$195,030 were incorrectly recorded in deferred contributions. As a result, deferred contributions were overstated, and net assets and donation revenue were understated at the prior year end. The result of this correction to the prior year is as follows:

Statement of Financial Position as at December 31, 2022:

Decrease in deferred contributions	\$	195,030
Increase in net assets		195,030

Statement of Operations and Changes in Net Assets for the year ended December 31, 2022:

Increase in donation revenue	\$	195,030
Increase in excess of revenue over expenditures		195,030
Increase in net assets, end of year		195,030

Statement of Cash Flows for the year ended December 31, 2022:

Increase in excess of revenue over expenditures	\$	195,030
Decrease in deferred contributions		195,030