

**Financial Statements**

**York Entrepreneurship Development Institute**

**December 31, 2019**

**Skupchenko, CPA, Professional Corporation**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
York Entrepreneurship Development Institute

Report on the Audit of the Financial Statements

### **Opinion**

We have audited the financial statements of York Entrepreneurship Development Institute (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

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 Company 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Concord, Canada  
August 19, 2020

*Skupchenko, CPA, Professional Corporation*

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Skupchenko, CPA, Professional Corporation, Authorized to practice public accounting  
by the Chartered Professional Accountants of Ontario

**York Entrepreneurship Development Institute  
Statement of Financial Position  
December 31, 2019**

	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	595,673	331,919
Accounts receivable	46,725	28,895
Taxes receivable	18,774	13,501
Convertible loans (Note 5)	100,000	250,000
Prepaid expenses	64,544	59,997
<b>Total current assets</b>	825,716	684,312
Marketable securities	15,006	-
Investments in private equity	500,000	-
Capital assets, net of accumulated amortization (note 3)	192,258	192,404
<b>Total assets</b>	1,532,980	876,716
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Withholdings taxes payable	1,362	1,078
Accounts payable and accrued liabilities	15,436	11,541
Deferred revenue	277,890	336,003
<b>Total current liabilities</b>	294,688	348,622
<b>Total liabilities</b>	294,688	348,622
<b>Net assets</b>	1,238,292	528,094
	1,238,292	528,094
<b>Total liabilities and net assets</b>	1,532,980	876,716

On behalf of the Board



**York Entrepreneurship Development Institute**  
**Statement of Operations and Changes in Net Assets**  
**Year ended December 31, 2019**

	2019	2018
<b>Revenue</b>		
Other income	1,790,264	602,487
Donations	316,121	200
Government grants	96,180	798,456
Gain on marketable securities	1,378	-
Gifts from other charities	-	179,000
	<b>2,203,943</b>	<b>1,580,143</b>
<b>Expenses</b>		
Charitable program expenses (Note 4)	1,330,425	1,332,109
<b>General and administrative expenses</b>		
Amortization	42,740	40,999
Administrative salary	24,585	21,344
Unrebated HST	23,807	16,460
Advertising and promotion	18,394	14,683
Foreign currency exchange loss	18,119	4,734
Office expenses	14,606	12,932
Accounting fees	8,860	7,160
Insurance	5,073	5,322
Telephone	4,501	3,586
Bank charges	2,635	1,970
<b>Total general and administrative expenses</b>	<b>163,320</b>	<b>129,190</b>
<b>Total expenses</b>	<b>1,493,745</b>	<b>1,461,299</b>
<b>Excess of revenue over expenses</b>	<b>710,198</b>	<b>118,844</b>
<b>Net assets, beginning of the year</b>	<b>528,094</b>	<b>409,250</b>
<b>Net assets, end of the year</b>	<b>1,238,292</b>	<b>528,094</b>

*See accompanying notes*

York Entrepreneurship Development Institute  
Statement of Cash Flows  
Year ended December 31, 2019

	2019	2018
<b>Operating activities:</b>		
Excess of revenue over expenses	710,198	118,844
Add (subtract) items not involving cash:		
Amortization	42,740	40,999
Gain on marketable securities	(1,378)	-
 Changes in working capital:		
Increase (decrease) in taxes receivable	(5,273)	4,823
Increase (decrease) in accounts receivable	(17,830)	(28,895)
Increase (decrease) in prepaid expenses, current	(4,547)	35,284
Increase (decrease) in withholdings taxes payable	284	(856)
Increase (decrease) in deferred revenue	(58,113)	336,003
Increase (decrease) in accounts payable and accrued liabilities	3,895	(57,845)
Cash provided by (used in) operating activities	<u>669,976</u>	<u>448,357</u>
 <b>Investing activities:</b>		
Loan receivable	-	110,000
Marketable securities	(13,628)	-
Investments in private equity	(500,000)	-
Convertible loans (Note 5)	150,000	(250,000)
Purchase of capital assets (note 3)	(42,594)	(86,103)
Cash provided by (used in) financing activities	<u>(406,222)</u>	<u>(226,103)</u>
 Increase (decrease) in cash during year	263,754	222,254
 Cash, beginning of year	<u>331,919</u>	<u>109,665</u>
 Cash, end of year	<u>595,673</u>	<u>331,919</u>

*See accompanying notes*

**York Entrepreneurship Development Institute**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**1. PURPOSE OF THE ORGANIZATION**

York Entrepreneurship Development Institute (the “Company”) is a registered Canadian charity and as such is exempt from income taxes.

The Company was formed to provide free top-tier business education and mentorship to innovative entrepreneurs from any sector or industry.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Certain significant accounting principles are summarized below.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires directors and management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from their best estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

**Cash and cash equivalents**

The Company’s policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and temporary investments with a maturity period of three months or less from the date of acquisition. Term deposits that the Company cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

**Capital assets**

Capital assets are recorded at cost and amortized over the estimated useful lives of the assets at the following annual rates under the straight line method:

Equipment	20%
Leasehold improvements	20%

**York Entrepreneurship Development Institute**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**Financial instruments**

The Company has elected not to disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable. The fair value of cash, accounts receivable, promissory notes and accounts payable is equal to their carrying amount given their maturity date.

**Measurement of financial instruments**

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

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for investment in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable, convertible loans and investments in private equity.

Marketable securities are measured at fair value.

Financial liabilities measured at amortized cost include the bank overdraft, accounts payable and director's loan payable.

**Revenue Recognition**

The Company uses deferral method of accounting for revenue recognition. Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are recorded.

**Contributed Services**

Directors and mentors volunteer their time to assist in the Company's activities. While these services benefit the Company considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

**York Entrepreneurship Development Institute**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**3. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2019</b>	<b>2019</b>	<b>2019</b>	2018
	<b>Cost</b>	<b>Accumulated</b>	<b>Net Book</b>	Net Book
	<b>\$</b>	<b>Amortization</b>	<b>Value</b>	Value
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment	<b>25,439</b>	<b>9,788</b>	<b>15,651</b>	19,563
Leasehold improvements	<b>267,179</b>	<b>90,572</b>	<b>176,607</b>	172,841
	<b>292,618</b>	<b>100,360</b>	<b>192,258</b>	192,404

**4. RELATED PARTY TRANSACTIONS**

In the normal course of business, the Company employed its president as a faculty instructor and president of the Company. Included in charitable program expenses is compensation paid to the president of \$157,480 (2018 - \$118,850). These transactions were made in the normal course of business and have been measured in these financial statements at exchange amount.

Included in charitable program expenses is rent paid to a corporation controlled by the Company's president in amount of \$21,424 (2018 - \$64,836), which is below the market rate. These transactions were made in the normal course of business and have been measured in these financial statements at exchange amount.

**5. CONVERTIBLE PROMISSORY NOTES**

In 2019 the Company has invested into a convertible promissory note in amount of \$100,000, carrying at amortized cost. The note is receivable on demand on or after May 10, 2020 and bears interest at 5% per annum. The Company has an option under certain conditions to convert the note into debtor's equity securities.

**York Entrepreneurship Development Institute**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. FINANCIAL INSTRUMENTS**

**Risks and concentrations**

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the balance sheet date.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its obligations under accounts payable.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its taxes receivable.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is not exposed to either of the risks.

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 40% of the entity's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2019, cash of \$242,872 (2018 - \$110,346) is held in US dollars and converted into Canadian dollars.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity is not exposed to interest rate risk.

**York Entrepreneurship Development Institute**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Other price risk**

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The entity is not exposed to other price risk.