

Financial statements of

True Patriot Love Foundation

December 31, 2016

True Patriot Love Foundation

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Independent Auditor's Report

To the Members of
True Patriot Love Foundation

We have audited the accompanying financial statements of True Patriot Love Foundation, which comprise the statement of financial position as at December 31, 2016, the statements 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of True Patriot Love Foundation as at December 31, 2016, 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.

Deloitte LLP


Chartered Professional Accountants
Licensed Public Accountants
May 23, 2017

True Patriot Love Foundation

Statement of financial position as at December 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	322,458	737,366
Short-term investments	1,747,247	318,148
Donations receivable (Note 5)	58,402	92,975
HST rebate	72,275	106,733
Prepaid expenses (Note 5)	277,047	1,759,200
	2,477,429	3,014,422
Capital assets (Note 3)	14,204	2,358
	2,491,633	3,016,780
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5 and 7)	188,155	171,208
Deferred revenue (Note 8)	1,118,014	2,747,870
	1,306,169	2,919,078
Net assets	1,185,464	97,702
	2,491,633	3,016,780

On behalf of the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

True Patriot Love Foundation

Statement of operations and changes in net assets year ended December 31, 2016

	2016	2015
	\$	\$
Revenue		
Galas and golf (Note 4)	2,786,429	2,231,687
Other donations	3,192,577	2,077,297
Program (Note 4)	846,639	179,001
Other	8,380	6,987
	6,834,025	4,494,972
Expenses (Note 10)		
Fundraising (Note 5)	2,147,798	1,996,085
Program activities	1,455,404	1,435,716
Administration (Note 5)	499,847	601,748
	4,103,049	4,033,549
Donations paid	1,643,214	1,464,873
	5,746,263	5,498,422
Excess (deficiency) of revenue over expenses	1,087,762	(1,003,450)
Net assets, beginning of year	97,702	1,101,152
Net assets, end of year	1,185,464	97,702

The accompanying notes to the financial statements are an integral part of this financial statement.

True Patriot Love Foundation

Statement of cash flows year ended December 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	1,087,762	(1,003,450)
Adjustment for non-cash item - amortization of capital assets	2,384	4,683
	1,090,146	(998,767)
Changes in non-cash operating items		
Donations receivable	34,573	(27,224)
HST rebate	34,458	170,067
Prepaid expenses	1,482,153	(1,574,439)
Deferred revenue	(1,629,856)	1,588,857
Accounts payable and accrued liabilities	16,947	(99,768)
	1,028,421	(941,274)
Investing activities		
Purchase of capital assets	(14,230)	(2,517)
Net change in short-term investments	(1,429,099)	448,582
	(1,443,329)	446,065
Decrease in cash	(414,908)	(495,209)
Cash, beginning of year	737,366	1,232,575
Cash, end of year	322,458	737,366

The accompanying notes to the financial statements are an integral part of this financial statement.

True Patriot Love Foundation

Notes to the financial statements

December 31, 2016

1. Nature of operations

True Patriot Love Foundation (the "Foundation") was incorporated without share capital on March 13, 2009 under the Canada Corporations Act as True Patriot Love Foundation for the Support of Military Families. The Foundation continued under the Canada Not-for-Profit Corporations Act on May 22, 2014 and changed its name on that date to True Patriot Love Foundation. The primary objective of the Foundation is to receive and distribute funds to improve the efficiency, well-being and morale of the Canadian military by providing support, relief, financial and otherwise.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act.

2. Significant accounting policies

Basis of presentation

The financial statements of the Foundation are the representations of management prepared in accordance with Canadian accounting standards for not-for-profit organizations as set out in Part III of the CPA Handbook. The significant accounting policies adopted by the Foundation are as follows:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. 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. Revenue which contains conditions as to its use (restricted contributions) is deferred until the conditions are fulfilled.

Financial instruments

The Foundation has elected to value its financial instruments as follows:

<u>Asset/liability</u>	<u>Category</u>
Cash	Fair value
Short-term investments	Fair value
Donations receivable	Amortized cost
HST rebate	Amortized cost
<u>Accounts payable and accrued liabilities</u>	<u>Amortized cost</u>

Short-term investments

Short-term investments consist of money market funds.

Capital assets

Capital assets are stated at cost, less accumulated amortization. Amortization of computer hardware, computer software and furniture and fixtures is provided on the declining-balance basis using an annual rate of 20%.

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

Volunteer services

The Foundation benefits from substantial volunteer time which has not been reflected in these financial statements. Because of the difficulty in determining the fair value, contributions of materials and services are not recognized in these financial statements.

True Patriot Love Foundation

Notes to the financial statements

December 31, 2016

2. Significant accounting policies (continued)

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 and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include accrued liabilities and deferred revenue.

3. Capital assets

	2016		2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture	1,020	(272)	748
Computer hardware	2,008	(67)	1,941
Computer software	13,720	(2,205)	11,515
	<u>16,748</u>	<u>(2,544)</u>	<u>14,204</u>
			2,358

4. Galas, golf and program revenue

Galas and golf revenue	2016	2015
	\$	\$
Toronto Gala	1,646,554	1,570,712
Winnipeg Gala	901,100	-
Vancouver Gala	1,000	432,188
Calgary Gala	18,000	15,000
Halifax Gala	-	25,000
Golf	219,775	188,787
	<u>2,786,429</u>	<u>2,231,687</u>

Program revenue	2016	2015
	\$	\$
Expedition	750,000	-
Sicily	96,639	-
VIMY	-	179,001
	<u>846,639</u>	<u>179,001</u>

True Patriot Love Foundation

Notes to the financial statements

December 31, 2016

5. Related party transactions and balances

During the year, the Foundation transacted business with one company (2015 - two companies) that is related by virtue of common membership on the Board of Directors. The transactions were recorded at the amount that was paid to the related party. In 2016, the amount paid for rent reflected less than fair value. The difference between fair value and the amount paid was provided to the related party in the form of sponsorships and other in-kind exchanges, but is not reflected in the 2016 financial statements. (In 2015, the amounts paid and recorded represented fair value.) Expenses that were paid and recognized in expenses are as follows:

	2016	2015
	\$	\$
Rent (included in Administration expense)	26,902	112,145
Fundraising (included in Fundraising expense)	-	55,904
	26,902	168,049

The Foundation benefited from overhead services rendered by employees of one of the related companies. These included IT and other services. The Foundation cannot reliably measure the fair value of the assets and services received because of their nature, and, as such, they are not recognized in the financial statements.

The following amounts with related parties are included on the Statement of financial position:

	2016	2015
	\$	\$
Donation receivable	13,900	21,803
Prepaid expenses	125,000	125,000
Accounts payable and accrued liabilities	3,865	2,891

6. Financial risk

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 receivables. The Foundation assesses, on a continuous basis, the collectability of its receivables and provides for any amounts that are considered to be uncollectible.

7. Accounts payable and accrued liabilities

There are no government remittances included in accounts payable and accrued liabilities as of December 31, 2016 (2015 - \$Nil).

8. Deferred revenue

	2016	2015
	\$	\$
Deferred revenue consists of:		
Restricted contributions	595,782	457,784
Events revenue received in advance	337,500	1,527,388
Program revenue received in advance	184,732	762,698
	1,118,014	2,747,870

True Patriot Love Foundation

Notes to the financial statements

December 31, 2016

9. Commitments

The Foundation has committed the following amounts to qualified donees:

	\$
2017	501,975
2018	600,000
2019	600,000
2020	700,000
2021	700,000
Thereafter	2,100,000
	<hr/> 5,201,975

10. Allocation of expenses

Employees perform a combination of functions; as a result, salaries and benefits are allocated on the basis of time dedicated to the functional activity. Such allocations are reviewed on a regular basis by management. Salaries and benefits included in the expense lines in the Statement of operations are as follows:

	2016	2015
	\$	\$
Fundraising	636,173	525,927
Program activities	211,256	191,908
Administration	301,905	271,867
	<hr/> 1,149,334	<hr/> 989,702