
Financial statements of
True Patriot Love Foundation

December 31, 2017

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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, 2017, 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, 2017 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, 2018

True Patriot Love Foundation
Statement of financial position
As at December 31, 2017

	Notes	<u>2017</u>	<u>2016</u>
		\$	\$
Assets			
Current assets			
Cash		474,821	322,458
Short-term investments		2,720,950	1,747,247
Donations receivable	6	73,300	58,402
Harmonized Sales Tax rebate		75,015	72,275
Prepaid expenses	6	<u>181,630</u>	<u>277,047</u>
		3,525,716	2,477,429
Capital assets	4	<u>15,650</u>	14,204
		3,541,366	2,491,633
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6 and 8	252,254	188,155
Deferred revenue	9	<u>756,449</u>	<u>1,118,014</u>
		1,008,703	1,306,169
Net assets			
Internally restricted	12	900,000	—
Unrestricted		<u>1,632,663</u>	<u>1,185,464</u>
		3,541,366	2,491,633

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

On behalf of the Board



_____ Director



_____ Director

True Patriot Love Foundation
Statement of operations
Year ended December 31, 2017

	Notes	2017	2016
		\$	\$
Revenue			
Galas and golf	3 and 5	1,792,378	2,941,731
Other donations	3	5,926,757	3,292,765
Program	3 and 5	589,779	846,639
Other		20,444	8,380
		8,329,358	7,089,515
Expenses			
Fundraising	3 and 11	1,790,463	2,199,765
Program activities	6	2,581,227	1,511,694
Administration	6	770,925	647,080
		5,142,615	4,358,539
Payments to qualified donees		1,839,544	1,643,214
		6,982,159	6,001,753
Excess of revenue over expenses for the year		1,347,199	1,087,762

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

True Patriot Love Foundation
Statement of changes in net assets
Year ended December 31, 2017

		2017			
		Notes	Internally restricted	Unrestricted	Total
			\$	\$	\$
Net assets, beginning of year			—	1,185,464	1,185,464
Excess of revenue over expenses for the year			—	1,347,199	1,347,199
Inter-fund transfer	12		900,000	(900,000)	—
Net assets, end of year			900,000	1,632,663	2,532,663
		2016			
			Internally restricted	Unrestricted	Total
			\$	\$	\$
Net assets, beginning of year			—	97,702	97,702
Excess of revenue over expenses for the year			—	1,087,762	1,087,762
Inter-fund transfer	12		—	—	—
Net assets, end of year			—	1,185,464	1,185,464

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

True Patriot Love Foundation
Statement of cash flows
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating activities		
Excess of revenue over expenses	1,347,199	1,087,762
Adjustment for non-cash item - amortization of capital assets	3,750	2,384
	1,350,949	1,090,146
Changes in non-cash operating items		
Donations receivable	(14,898)	34,573
Harmonized Sales Tax rebate	(2,740)	34,458
Prepaid expenses	95,417	1,482,153
Deferred revenue	(361,565)	(1,629,856)
Accounts payable and accrued liabilities	64,099	16,947
	1,131,262	1,028,421
Investing activities		
Purchase of capital assets	(5,196)	(14,230)
Net change in short-term investments	(973,703)	(1,429,099)
	(978,899)	(1,443,329)
Increase (decrease) in cash	152,363	(414,908)
Cash, beginning of year	322,458	737,366
Cash, end of year	474,821	322,458

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

True Patriot Love Foundation
Notes to the financial statements

December 31, 2017

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 and have been 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.

Internally restricted net assets

Internally restricted net assets consist of the funds that have been designated as restricted by the Board of Directors of the Foundation for the purposes of meeting the Foundation's commitment to fund the Canadian Institute for Military and Veteran Health Research in years where fundraising goals do not meet targets.

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
Harmonized Sales Tax rebate	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Short-term investments

Short-term investments consist of money market funds.

True Patriot Love Foundation
Notes to the financial statements

December 31, 2017

2. Significant accounting policies (continued)

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.

Donations-in-kind

Donations-in-kind are recognized when fair value can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would have otherwise have been purchased.

Volunteer services

The Foundation benefits from substantial volunteer time. As no objective basis is available to measure the value of such services these services have not been reflected in these financial statements.

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. Change in accounting policy

Effective January 1, 2017, the Foundation has elected to recognize contributions of materials and services in accordance with Canadian accounting standards for not-for-profit organizations 4410 Contributions – revenue recognition (the "Standard") on a retrospective basis.

The Standard allows an organization to choose to recognize contributions of materials and services when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.

True Patriot Love Foundation
Notes to the financial statements
December 31, 2017

3. Change in accounting policy (continued)

Donations-in-kind revenue and expenses are recorded at the same amount within a year and the adoption had no impact on net assets as at January 1, 2016. The financial statements include the following donations-in-kind amounts:

	2017	2016
	\$	\$
Revenue		
Gala and golf	67,500	155,302
Other donations	194,215	100,188
Program	11,030	—
	272,745	255,490
Expenses		
Fundraising	20,216	51,967
Program activities	71,499	56,290
Administration	181,030	147,233
	272,745	255,490

The 2016 comparative amounts included in these financial statements have been amended to include the above-noted amounts.

4. Capital assets

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture	1,020	(422)	598	748
Computer hardware	2,008	(455)	1,553	1,941
Computer software	18,917	(5,418)	13,499	11,515
	21,945	(6,295)	15,650	14,204

True Patriot Love Foundation
Notes to the financial statements
December 31, 2017

5. Galas, golf and program revenue

	<u>2017</u>	<u>2016</u>
	\$	\$
Galas and golf revenue		
Toronto Gala	1,515,024	1,761,654
Halifax Gala	19,500	—
Calgary Gala	18,000	18,000
Winnipeg Gala	—	931,302
Vancouver Gala	—	1,000
Golf	239,854	229,775
	<u>1,792,378</u>	<u>2,941,731</u>
	<u>2017</u>	<u>2016</u>
	\$	\$
Program revenue		
Expedition	336,000	750,000
VIMY	253,779	—
Sicily	—	96,639
	<u>589,779</u>	<u>846,639</u>

The following donation-in-kind amounts are included in the revenue categories:

	<u>2017</u>	<u>2016</u>
	\$	\$
Galas and golf revenue		
Toronto Gala	57,500	115,100
Winnipeg Gala	—	30,202
Golf	10,000	10,000
	<u>67,500</u>	<u>155,302</u>
	<u>2017</u>	<u>2016</u>
	\$	\$
Program revenue		
Expedition	6,030	—
VIMY	5,000	—
	<u>11,030</u>	<u>—</u>

6. Related party transactions and balances

During the year, the Foundation transacted business with three companies (two companies in 2016) that are related by virtue of common membership on the Board of Directors. The following transactions were recorded at the amount that was paid to the related parties, or at the amount determined in accordance with the accounting policy for donations-in-kind:

- Administration expenses include \$150,000 of rent received as a donation-in-kind from a related party (\$26,902 rent paid and \$108,138 rent and other services received as a donation-in-kind in 2016).
- Program activities expenses include \$1,256,000 (\$Nil in 2016) of programming expenses related to funding provided to a related party.
- Fundraising expenses include \$Nil (\$11,000 in 2016) of fundraising related expenses received as a donation-in-kind from a related party. Payments to qualified donees include \$142,650 (\$Nil in 2016) related to funding provided to a qualified donee that is a related party.

The Foundation benefited from IT and other services rendered by employees of one of the related companies. 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:

	<u>2017</u>	<u>2016</u>
	\$	\$
Donation receivable	400	13,900
Prepaid expenses	—	125,000
Accounts payable and accrued liabilities	<u>1,867</u>	<u>3,865</u>

7. 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.

8. Accounts payable and accrued liabilities

There are no government remittances included in accounts payable and accrued liabilities as of December 31, 2017 (\$Nil in 2016).

True Patriot Love Foundation
Notes to the financial statements
December 31, 2017

9. Deferred revenue

	<u>2017</u>	<u>2016</u>
	\$	\$
Deferred revenue consists of		
Restricted contributions	391,696	595,782
Events revenue received in advance	180,103	337,500
Program revenue received in advance	184,650	184,732
	<u>756,449</u>	<u>1,118,014</u>

10. Commitments

The Foundation has committed the following amounts to qualified donees:

	\$
2018	665,595
2019	650,000
2020	700,000
2021	700,000
2022	700,000
Thereafter	<u>1,400,000</u>
	<u>4,815,595</u>

11. 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:

	<u>2017</u>	<u>2016</u>
	\$	\$
Fundraising	725,308	636,173
Program activities	268,792	211,256
Administration	404,822	301,905
	<u>1,398,922</u>	<u>1,149,334</u>

12. Inter-fund transfers

Each year, the Board determines the amount that should be transferred to internally restricted net assets. In 2017, an amount of \$900,000 was transferred from unrestricted net assets to internally restricted net assets (\$Nil in 2016).