

Financial statements of

True Patriot Love Foundation

December 31, 2015

True Patriot Love Foundation

December 31, 2015

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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, 2015, 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, 2015, and its results of 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 25, 2016

True Patriot Love Foundation

Statement of financial position
as at December 31, 2015

| | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 737,366 | 1,232,575 |
| Short-term investments | 318,148 | 766,730 |
| Donations receivable (Note 5) | 92,975 | 65,751 |
| HST rebate | 106,733 | 276,800 |
| Prepaid expenses | 1,759,200 | 184,761 |
| | 3,014,422 | 2,526,617 |
| Capital assets (Note 3) | 2,358 | 4,524 |
| | 3,016,780 | 2,531,141 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 5 and 7) | 171,208 | 270,976 |
| Deferred revenue (Note 8) | 2,747,870 | 1,159,013 |
| | 2,919,078 | 1,429,989 |
| Net assets | 97,702 | 1,101,152 |
| | 3,016,780 | 2,531,141 |

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, 2015

| | 2015 | 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Galas (Note 4) | 2,231,687 | 3,994,509 |
| Other donations | 2,077,297 | 2,551,329 |
| Program (Note 4) | 179,001 | 976,511 |
| Other | 6,987 | 21,582 |
| | 4,494,972 | 7,543,931 |
| Expenses (Note 10) | | |
| Fundraising (Note 5) | 1,996,085 | 2,533,498 |
| Program activities (Note 5) | 1,435,716 | 1,912,782 |
| Administration (Note 5) | 601,748 | 763,529 |
| | 4,033,549 | 5,209,809 |
| Donations paid | 1,464,873 | 1,712,293 |
| | 5,498,422 | 6,922,102 |
| (Deficiency) excess of revenue over expenses | (1,003,450) | 621,829 |
| Net assets, beginning of year | 1,101,152 | 479,323 |
| Net assets, end of year | 97,702 | 1,101,152 |

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, 2015

| | 2015 | 2014 |
|---|----------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | (1,003,450) | 621,829 |
| Adjustment for non-cash item - amortization of capital assets | 4,683 | 1,130 |
| | (998,767) | 622,959 |
| Changes in non-cash operating items | | |
| Donations receivable | (27,224) | (21,851) |
| HST rebate | 170,067 | (97,058) |
| Prepaid expenses | (1,574,439) | 142,001 |
| Deferred revenue | 1,588,857 | 134,601 |
| Accounts payable and accrued liabilities | (99,768) | 70,553 |
| | (941,274) | 851,205 |
| Investing activities | | |
| Purchase of capital assets | (2,517) | - |
| Net change in short-term investments | 448,582 | (766,159) |
| | 446,065 | (766,159) |
| (Decrease) increase in cash | (495,209) | 85,046 |
| Cash, beginning of year | 1,232,575 | 1,147,529 |
| Cash, end of year | 737,366 | 1,232,575 |

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, 2015

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 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:

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

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 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, 2015

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

| | | | 2015 | 2014 |
|-------------------|-------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Furniture | 1,021 | (85) | 936 | - |
| Computer software | 1,497 | (75) | 1,422 | 4,524 |
| | 2,518 | (160) | 2,358 | 4,524 |

4. Galas and Program revenue

| | | |
|-------------------------|-----------|-----------|
| Galas revenue | 2015 | 2014 |
| | \$ | \$ |
| Toronto Gala | 1,570,712 | 1,951,289 |
| Vancouver Gala | 432,188 | - |
| Calgary Gala | 15,000 | 1,044,087 |
| Halifax Gala | 25,000 | 555,763 |
| Montreal Gala | - | 252,325 |
| Golf | 188,787 | 191,045 |
| | 2,231,687 | 3,994,509 |
| Program revenue | 2015 | 2014 |
| | \$ | \$ |
| Expedition | - | 629,558 |
| Vimy | 179,001 | 292,884 |
| Multinational symposium | - | 54,069 |
| | 179,001 | 976,511 |

True Patriot Love Foundation

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5. Related party transactions and balances

During the year, the Foundation transacted business with three companies that are related by virtue of common membership on the Board of Directors, all such transactions were recorded at fair value. Expenses that were paid to these companies and recognized in expenses are as follows:

| | 2015 | 2014 |
|--|---------|---------|
| | \$ | \$ |
| Rent (included in Administration expense) | 112,145 | 57,114 |
| Fundraising (included in Fundraising expense) | 55,904 | 104,052 |
| Program (included in Program activities expense) | - | 2,448 |
| Marketing (included in Administration expense) | - | 9,632 |
| | 168,049 | 173,246 |

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

The Foundation committed \$5 million in funding over a ten year period to an organization that is related by virtue of common membership on the Board of Directors. Funding began in 2015 with a \$100,000 disbursement that is included in Donations paid.

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

| | 2015 | 2014 |
|--|---------|--------|
| | \$ | \$ |
| Donation receivable | 21,803 | 57,114 |
| Prepaid expenses | 125,000 | - |
| Accounts payable and accrued liabilities | 2,891 | 50,777 |

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, 2015 (2014 - \$Nil).

8. Deferred revenue

| | 2015 | 2014 |
|-------------------------------------|-----------|-----------|
| | \$ | \$ |
| Deferred revenue consists of: | | |
| Restricted contributions | 457,784 | 1,108,067 |
| Events revenue received in advance | 1,527,388 | - |
| Program revenue received in advance | 762,698 | 50,946 |
| | 2,747,870 | 1,159,013 |

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Notes to the financial statements

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9. Commitments

The Foundation is committed to the following amounts to qualified donees:

| | |
|------------|------------------|
| | \$ |
| 2016 | 616,838 |
| 2017 | 100,000 |
| 2018 | 600,000 |
| 2019 | 600,000 |
| 2020 | 700,000 |
| Thereafter | 2,800,000 |
| | <u>5,416,838</u> |

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:

| | 2015 | 2014 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Fundraising | 525,927 | 250,688 |
| Program activities | 191,908 | 127,112 |
| Administration | 271,867 | 202,509 |
| | <u>989,702</u> | <u>580,309</u> |