

Financial Statements of

**WINNIPEG JETS TRUE NORTH
FOUNDATION INC.**

Year ended June 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Directors of Winnipeg Jets True North Foundation Inc.

We have audited the accompanying financial statements of Winnipeg Jets True North Foundation Inc., which comprise the statement of financial position as at June 30, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 Winnipeg Jets True North Foundation Inc. as at June 30, 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.

Chartered Accountants

September 14, 2015

Winnipeg, Canada

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Statement of Financial Position

June 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 2,967,095	\$ 2,210,021
Restricted cash (note 5)	18,050	—
Accounts receivable	189,304	169,004
Prepaid expenses (note 5)	312,888	338,157
Investments (note 4)	5,880,426	—
Capital assets (note 3)	347,020	101,130
	\$ 9,714,783	\$ 2,818,312
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 1,240,616	\$ 924,913
Deferred revenue	193,796	27,575
	1,434,412	952,488
Net assets:		
Unrestricted	2,183,674	1,764,694
Invested in capital assets	347,020	101,130
Endowment	5,749,677	—
	8,280,371	1,865,824
Commitments (note 5)		
	\$ 9,714,783	\$ 2,818,312

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Statement of Operations

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Fundraising:		
Event revenue (schedule A)	\$ 1,752,377	\$ 1,877,095
Cost of event expenses (schedule A)	700,420	796,437
Event proceeds net of expenses	1,051,957	1,080,658
50/50 revenue	3,224,363	3,607,518
50/50 expenses	1,867,135	2,192,358
50/50 revenue net of expenses	1,357,228	1,415,160
Donations	528,182	239,999
Net fundraising activities	2,937,367	2,735,817
Other revenue (expenses):		
Investment and other income	168,181	29,707
General and administration expenses	(461,214)	(400,436)
	(293,033)	(370,729)
Program disbursements:		
Camp Manitou revenue	161,090	34,283
Camp Manitou expenses	(546,351)	(249,089)
Camp Manitou expenses in excess of revenue	385,261	214,806
Winnipeg Jets Hockey Academy	852,319	932,845
Project 11	61,204	108,090
Grants and disbursements (schedule B)	645,045	689,706
Total program disbursements	1,939,709	1,945,447
Excess of revenue over expenses before the undernoted	700,505	419,641
Amortization of capital assets	35,635	28,637
Excess of revenue over expenses	\$ 664,870	\$ 391,004

See accompanying notes to financial statements.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Statement of Changes in Net Assets

Year ended June 30, 2015, with comparative information for 2014

	Unrestricted	Invested in capital assets	Endowment	Total
Balance, June 30, 2013	\$ 1,398,310	\$ 76,510	\$ –	\$ 1,474,820
Excess (deficiency) of revenue over expenses	419,641	(28,637)	–	391,004
Transfer for capital asset additions	(53,257)	53,257	–	–
Balance, June 30, 2014	1,764,694	101,130	–	1,865,824
Excess (deficiency) of revenue over expenses	700,505	(35,635)	–	664,870
Transfer for capital asset additions	(281,525)	281,525	–	–
Endowment contribution	–	–	6,000,000	6,000,000
Reduction of endowment – unrealized losses on investments (note 4)	–	–	(250,323)	(250,323)
Balance, June 30, 2015	\$ 2,183,674	\$ 347,020	\$ 5,749,677	\$ 8,280,371

See accompanying notes to consolidated financial statements.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Statement of Cash Flows

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 664,870	\$ 391,004
Items not involving cash:		
Amortization of capital assets	35,635	28,637
	700,505	419,641
Change in non-cash operating working capital:		
Accounts receivable	(20,300)	29,542
Prepaid expenses	25,269	(329,616)
Accounts payable and accrued liabilities	315,703	593,655
Deferred revenue	166,221	27,575
	1,187,398	740,797
Investing activities:		
Additions to capital assets	(281,525)	(53,257)
Increase in investments, net	(6,130,749)	-
Change in restricted cash	(18,050)	-
	(6,430,324)	(53,257)
Financing activities:		
Endowment contribution	6,000,000	-
Increase in cash	757,074	687,540
Cash, beginning of year	2,210,021	1,522,481
Cash, end of year	\$ 2,967,095	\$ 2,210,021

See accompanying notes to financial statements.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements

Year ended June 30, 2015

1. Organization:

Winnipeg Jets True North Foundation Inc. (the Foundation) was incorporated in October of 1996 as the Manitoba Moose Yearling Foundation Inc. With the acquisition of an NHL franchise in Winnipeg in 2011, the Foundation was renamed Winnipeg Jets True North Foundation Inc. effective September 22, 2011.

Coupled with raising funds and providing grants to various youth charities in Manitoba, the main purpose of the Foundation is to provide self-programming in the form of three programs. The first is a partnership with various school divisions that provides at-risk youth an opportunity to play the game of hockey, feel connected to their school and community while motivating them to stay in school. The program is called the Winnipeg Jets Hockey Academy, with the motto, "Igniting Potential". The second is Project 11, a positive mental health coping skills curricular resource program for grades 5-8 that is currently under development. The launch of a pilot for Project 11 occurred in February of 2015. The newest addition to the programming is Camp Manitou, an all-season children's camp designed to deliver camp and outdoor programming to the children and youth across the province of Manitoba.

An independent Board of Directors appointed by the Executive Committee of the Foundation is responsible to monitor administration of activities of the Foundation.

The Foundation is a registered charity under the *Income Tax Act* (Canada) and is therefore exempted from income taxes.

2. Significant accounting policies:

The Foundation's financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

(a) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all investments at fair value.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended June 30, 2015

2. Significant accounting policies (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(b) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is being provided using the straight-line method, using the following amortization periods:

Asset	Years
Vehicles	5
50/50 equipment	3
Camp Manitou equipment	5-10

Leasehold improvements are amortized on a straight-line basis over the lease term.

(c) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in endowment net assets. 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.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended June 30, 2015

2. Significant accounting policies (continued):

Investment income from the endowment net assets is unrestricted in accordance with the endowment agreement. Unrestricted investment income, including interest and dividend income, realized gains (losses) on investments and change in unrealized gains (losses) on investments, is included in revenue in the statement of operations except as noted below. Realized and unrealized losses on investments are recognized as direct decreases to endowment net assets to the extent they reduce endowment investments below initial endowment capital. Unrealized gains on endowment investments are recognized as increases in endowment net assets up to the initial endowment capital.

(d) Investments:

Investments are stated at fair value. Fair value of investments is determined based on period end quoted market prices.

(e) Grants:

Grants are charged to operations in the year in which the funds are granted.

(f) Endowment net assets:

Endowment net assets are externally restricted donations received by the Foundation where the endowment principal is required to be maintained intact. The investment income generated from these endowments is to be used to support the general programs of the Foundation.

(g) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of excess of revenue over expenses for the period.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions includes the carrying amount of capital assets. Actual results could differ from those estimates.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended June 30, 2015

3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements in-progress (note 5)	\$ 58,331	\$ —	\$ 58,331	\$ 53,257
50/50 equipment	78,004	64,722	13,282	25,912
Vehicles	32,138	16,605	15,533	21,961
Camp Manitou equipment (note 5)	265,077	5,203	259,874	—
	\$ 433,550	\$ 86,530	\$ 347,020	\$ 101,130

4. Investments:

	2015	2014
Canadian equities	\$ 3,278,439	\$ —
Canadian corporate bonds	1,822,943	—
United States equities	740,731	—
Cash and other assets	38,313	—
	\$ 5,880,426	\$ —

The corporate bonds yield interest between 2.22 percent and 2.98 percent and have maturities ranging from August 2016 to May 2019.

As at June 30, 2015, \$5,749,677 of the investments relate to the \$6,000,000 endowment contribution received during fiscal 2015. Unrealized losses on the investments of \$250,323 at June 30, 2015 have been recorded as a reduction to endowment net assets.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended June 30, 2015

5. Commitments:

The Directors of the Foundation have approved the following commitments for grants in future fiscal years:

	Years of commitment	Years remaining	Annual commitment
Soldier on Fund, Militaries Family Fund and Air Force Heritage Fund	2012 - 2021	6	\$ 100,000
International Centre on Dignity and Palliative Care, Inc.	2016 - 2019	4	100,000
The Winnipeg Foundation	2012 - 2016	1	50,000
Robb Nash Project Inc.	2014 - 2016	1	50,000
Pan Am Foundation Clinic	2016 - 2019	4	25,000

On January 1, 2014, the Foundation entered into a 10 year operating lease for the camp facilities located at Camp Manitou. The Foundation has two five year options to renew by providing written notice one year in advance in each instance. In consideration for leasing the facilities, the Foundation made a payment of \$340,840 to cover certain obligations of the landlord, which was recorded in prepaid expenses, and is being recognized over the term of the lease. The balance at June 30, 2015 is \$289,714 (2014 - \$323,798). In addition, annual rent of \$12,000 is deposited into an escrow account with restricted cash of \$18,050 (2014 - nil) at June 30, 2015. Following each renewal, the funds will be released from the escrow account to the Foundation as a contribution towards capital improvements plus accrued interest. As part of the lease agreement, the Foundation is committed to spend a minimum of one million dollars during the first three years of the lease term on improvements and renovations of the facilities. To June 30, 2015, the Foundation has incurred \$323,408 (2014 - \$53,527) in improvements and renovations to the facilities (note 3).

6. Financial risks:

The Foundation manages its investment portfolio to earn investment income. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes. Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended June 30, 2015

6. Financial risks (continued):

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's currency position is monitored on a daily basis by the portfolio manager.

The Foundation believes that it is not exposed to significant interest rate, credit or cash flow risk arising from its financial instruments.

WINNIPEG JETS TRUE NORTH FOUNDATION INC.

Fundraising Event Revenue and Event Expenses

Schedule A

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Event revenue:		
Mike Keane Celebrity Hockey Classic	\$ 597,971	\$ 600,272
Gala Dinner	593,436	565,359
Beer festival	141,293	212,198
License plates	90,390	79,560
Golf tournaments	78,995	92,800
Game day auctions	56,425	76,075
Other	193,867	250,831
	\$ 1,752,377	\$ 1,877,095
Event expenses:		
Mike Keane Celebrity Hockey Classic	\$ 290,278	\$ 327,931
Gala Dinner	291,198	270,487
Beer festival	45,897	80,525
Golf tournaments	16,708	18,473
Game day auctions	33,503	39,325
Other	22,836	59,696
	\$ 700,420	\$ 796,437

Grants and Disbursements

Schedule B

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Right to Play	\$ 125,000	\$ 125,000
International Centre on Dignity and Palliative Care, Inc.	100,000	-
Continuity Care	70,000	70,000
The Winnipeg Foundation	50,000	50,000
Robb Nash Project Inc.	50,000	50,000
CancerCare Manitoba	43,045	39,025
Military Families Fund	42,750	37,500
Solider on Fund	42,750	37,500
Pan Am Foundation Inc.	25,000	-
Air Force Heritage Fund	25,000	25,000
Manitoba Camping Association	21,000	-
Hockey Manitoba	20,000	-
Hockey Winnipeg	20,000	-
Rehabilitation Centre for Children Inc.	-	41,666
Free The Children	-	35,000
United Way	-	25,000
Winnipeg Symphony Orchestra	-	20,000
Boys and Girls Clubs of Winnipeg Inc.	-	20,000
Others less than \$20,000	10,500	114,015
	\$ 645,045	\$ 689,706