

The background of the cover is a black and white photograph of a modern skyscraper with a grid-like facade, viewed from a low angle looking up. The building is partially obscured by a white vertical bar on the right side of the cover.

# **AUDITED FINANCIAL STATEMENTS**

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**2020**  
EDITION

# **York Entrepreneurship Development Institute**

**December 31, 2020**

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## **Independent Auditors' Report**

To the Directors of  
York Entrepreneurship Development Institute

Report on the Audit of the Financial Statements

### **Opinion**

We have audited the accompanying financial statements of York Entrepreneurship Development Institute which comprise the statement of financial position as at December 31, 2020, and the statement of operations and changes in net assets and 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 York Entrepreneurship Development Institute as at December 31, 2020, and its financial performance and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian 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 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.

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 the 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 judgement 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.

*Valente Pacitti, LLP*

Licensed Public Accountants

Vaughan, Ontario

June 19, 2021

# York Entrepreneurship Development Institute

(incorporated under the laws of Ontario)

## Statement of Financial Position - December 31, 2020

(audited)

	2020	2019
<b>Assets</b>		
Cash	\$ 777,050	\$ 595,673
Accounts receivable	540	46,725
Taxes recoverable	45,123	18,774
Convertible loans (Note 6)	250,000	100,000
Prepaid expenses	-	64,544
	1,072,713	825,716
Marketable securities	-	15,006
Investment in private companies (Note 3)	500,000	500,000
Property and equipment (Note 4)	547,861	192,258
	\$ 2,120,574	\$ 1,532,980
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 22,640	\$ 15,436
Government remittance payable	3,938	1,362
Deferred revenue	40,946	277,890
	67,524	294,688
<b>Net Assets</b>		
Net assets	2,053,050	1,238,292
	\$ 2,120,574	\$ 1,532,980

See accompanying notes.

Approved on behalf of the Board

Director

# York Entrepreneurship Development Institute

## Statement of Operations and Net Assets

Year ended December 31, 2020

(audited)

	2020	2019
Revenue		
Other income	\$ 1,338,868	\$ 1,790,264
Donations	677,897	281,151
Government grants	6,625	96,180
Gain on marketable securities	108,259	1,378
Gifts from other charities	163,718	34,970
Federal Government subsidy (Note 7)	10,000	-
	2,305,367	2,203,943
Expenses		
Charitable program expenses	1,279,824	1,330,425
General and administrative expenses		
Amortization	82,768	42,740
Administrative salaries	-	24,585
Unrebated HST	19,623	23,807
Advertising and promotions	8,524	18,394
Foreign currency exchange (gain) /loss	47,313	18,119
Office and general	16,116	14,605
Accounting fees	16,000	8,860
Insurance	12,188	5,073
Telephone	4,544	4,501
Bank charges	3,709	2,636
	1,490,609	1,493,745
Excess of revenue over expenses	814,758	710,198
Net assets, beginning of year	1,238,292	528,094
Net assets, end of year	\$ 2,053,050	\$ 1,238,292

See accompanying notes.

# York Entrepreneurship Development Institute

## Statement of Cash Flows

Year ended December 31, 2020

(audited)

	2020	2019
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 814,758	\$ 710,198
Item not affecting cash		
Amortization	82,768	42,740
Gain on marketable securities	(108,259)	(1,378)
	789,267	751,560
<b>Changes in working capital</b>		
Decrease (increase) in taxes recoverable	(26,349)	(5,273)
Decrease (increase) in accounts receivable	46,186	(17,830)
Decrease (increase) in prepaid expenses	64,544	(4,547)
Increase (decrease) in accounts payable and accrued liabilities	9,780	4,179
Increase (decrease) in deferred revenue	(236,944)	(58,113)
	646,484	669,976
<b>Financing activities</b>		
Proceeds from sale of marketable securities	108,259	-
	108,259	-
<b>Investing activities</b>		
Marketable securities	15,006	(13,628)
Investment in private companies	-	(500,000)
Convertible loans (Note 6)	(150,000)	150,000
Purchase of property and equipment	(438,372)	(42,594)
	(573,366)	(406,222)
<b>Increase (decrease) in cash</b>	181,377	263,754
<b>Cash, beginning of year</b>	595,673	331,919
<b>Cash, end of year</b>	<b>\$ 777,050</b>	<b>\$ 595,673</b>

See accompanying notes.

# York Entrepreneurship Development Institute

## Notes to Financial Statements

December 31, 2020

(audited)

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### 1. Purpose of the organization

York Entrepreneurship Development Institute (the 'Company') is 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 have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Certain significant accounting principles are summarized below.

#### Measurement Uncertainty

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 amount of revenues 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.

#### Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided using the declining balance method over the useful life of the asset at the following rates:

Furniture and equipment	20%
Leasehold improvements	20%



# York Entrepreneurship Development Institute

## Notes to Financial Statements

December 31, 2020

(audited)

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### 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 financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or the exchange amount, as appropriate. The Company subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investment in private companies instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at amortized cost include cash, accounts receivable, convertible loan and investment in private companies. Marketable securities are measured at fair value. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and director's loan payable.

### Revenue and Cost 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 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.

## 3. Investment in private companies

Investment in private companies is comprised of \$300,000 invested in 4,002,921 class A shares of Folium Labs Inc. and \$200,000 invested in 328,828 common shares of 9223380 Ontario Inc., (The Chufa Co). These investments are measured at cost. These investments are assessed regularly for impairment and are written down if a permanent impairment exists.

## 4. Property and equipment

Comprised as follows:

	Cost	Accumulated amortization	2020	Net 2019
Furniture and equipment	\$ 30,235	\$ 13,878	\$ 16,357	\$ 15,650
Leasehold improvements	700,755	169,251	531,504	176,608
	\$ 730,990	\$ 183,129	\$ 547,861	\$ 192,258

# York Entrepreneurship Development Institute

## Notes to Financial Statements

December 31, 2020

(audited)

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### 5. 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 the charitable program expenses is compensation paid to the president of \$182,250 (2019 - \$157,480). These transactions were made in the normal course of business and have been measured in the financial statements at exchange amount.

Included in the charitable program expenses is rent paid to a corporation controlled by the Company's president in the amount of \$Nil (2019 - \$21,424), which is below the market rate. These transactions were made in the normal course of business and have been measured in the financial statements at exchange amount.

### 6. Convertible promissory notes

In 2020 the Company has invested into a convertible promissory note in the amount of \$150,000, carrying at amortized cost. The note is receivable on demand on or after February 17, 2021 and bears interest at 5% per annum. At maturity, the convertible promissory note is convertible at the option of the investor into 20% of total issued and outstanding shares with voting rights of the Company's common stock. Subsequent to the year end, the loan was repaid in full. The Company, also provided a one year extension to an existing convertible promissory note in the amount of \$100,000, carrying at amortized cost. The note is receivable on demand on or after May 10, 2021 and bears interest at 5% per annum. At the next offering and sale of shares of any securities into the capital of the Company, the convertible promissory note at the option of the investor shall be converted into the most senior class or series of equity securities at a price per share obtained by dividing the "Valuation Cap" by the number of shares outstanding. The Company has elected to convert the note into equity at the next issuance of shares date of June 2022.

### 7. Canadian Emergency Business Account Loan (CEBA)

The CEBA loan was received from the Canada Emergency Business Account (CEBA) due to the COVID-19 pandemic. The loan is interest free and if repaid before December 31, 2022 it is eligible for a loan forgiveness of \$10,000. As the Company has repaid the loan before this date, the loan forgiveness of \$10,000 is recognized in the current year.

# York Entrepreneurship Development Institute

## Notes to Financial Statements

December 31, 2020

(audited)

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### 8. Financial instruments

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

#### **Liquidity risk**

Liquidity risk is the risk the company will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to liquidity risk arising from meeting its payments to creditors including accounts payables. The company's ability to meet obligations depends on the receipt of funds from its operating activities in the form of revenue.

#### **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 company has exposure to the credit risk arising from taxes recoverable.

#### **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 these 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 60% of the company's revenues are in foreign currency. As at December 31, 2020, cash of \$259,669 (2019 - \$242,872) is held in UD 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 company is not exposed to interest rate risk

#### **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 company is not exposed to other price risk.

# York Entrepreneurship Development Institute

## Notes to Financial Statements

December 31, 2020

(audited)

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### 9. Subsequent events

In preparing these financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, and determined the following subsequent event requires disclosure in the financial statements.

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.