



Financial Statements

The Dream Factory Foundation Inc.

December 31, 2022

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Independent Auditor's Report

To the Members of
The Dream Factory Foundation Inc.

Qualified opinion

We have audited the financial statements of The Dream Factory Foundation Inc., which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally 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 Organization 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 qualified opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Organization'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

Independent Auditor's Report (continued)

Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 judgment 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 Organization'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 Organization'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 Organization 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.

Winnipeg, Canada
June 12, 2023

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

The Dream Factory Foundation Inc.

Statement of Operations

Year ended December 31	2022	2021
Revenues		
Fundraising	\$ 1,449,716	\$ 706,404
Donations	236,614	293,188
Grants (Note 11)	46,308	293,917
Interest	2,981	4,490
Special gifts and bequests (Note 10)	90,000	20,000
	<u>1,825,619</u>	<u>1,317,999</u>
Expenditures		
Cost of dreams granted (Schedule 1)	1,144,051	651,545
Fundraising (Schedule 2)	767,968	264,389
Administrative (Schedule 3)	225,470	182,719
Charitable programs	973	5,041
	<u>2,138,462</u>	<u>1,103,694</u>
(Deficiency) excess of revenues over expenditures before other income (loss)	<u>(312,843)</u>	<u>214,305</u>
Other income (loss)		
Forgiven portion of Canada Emergency Business Account loan (Note 6)	-	10,000
Government assistance (Note 13)	15,758	113,989
Realized gain on investments	25,863	57,558
Unrealized (loss) gain on investments	(236,960)	163,068
Investment management fees	(32,227)	(32,033)
Investment income	86,759	64,407
	<u>(140,807)</u>	<u>376,989</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (453,650)</u>	<u>\$ 591,294</u>

The Dream Factory Foundation Inc.

Statement of Changes in Net Assets

Year ended December 31

	Internally Restricted for Future Dreams	Unrestricted	Net Assets Invested in Capital Assets	Total 2022	Total 2021
Balance, beginning of year	\$ 412,000	\$ 3,288,533	\$ 5,160	\$ 3,705,693	\$ 3,114,399
(Deficiency) excess of revenues over expenditures	-	(445,369)	(8,281)	(453,650)	591,294
Investment in capital assets	-	(23,836)	23,836	-	-
Interfund transfer for dreams	(412,000)	412,000	-	-	-
Internally restricted net assets for future dreams	<u>515,000</u>	<u>(515,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 515,000</u>	<u>\$ 2,716,328</u>	<u>\$ 20,715</u>	<u>\$ 3,252,043</u>	<u>\$ 3,705,693</u>

See accompanying notes and schedules to the financial statements.

The Dream Factory Foundation Inc.

Statement of Financial Position

December 31

2022

2021

Assets

Current

Cash	\$ 531,735	\$ 901,543
Investments (Note 3)	2,758,384	2,827,826
Accounts receivable	-	5,071
Prepaid expenses	46,561	86,384
GST receivable	<u>21,184</u>	<u>10,857</u>
	3,357,864	3,831,681
Investments (Note 3)	100,000	-
Capital assets (Note 4)	<u>20,715</u>	<u>5,160</u>
	<u>\$ 3,478,579</u>	<u>\$ 3,836,841</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 35,161	\$ 63,298
Deferred revenue (Note 5)	151,375	27,850
Current portion of Canada Emergency Business Account Loan (Note 6)	<u>40,000</u>	<u>-</u>
	226,536	91,148
Canada Emergency Business Account Loan (Note 6)	<u>-</u>	<u>40,000</u>
	<u>226,536</u>	<u>131,148</u>

Net Assets

Internally restricted for future dreams	515,000	412,000
Unrestricted net assets	2,716,328	3,288,533
Net assets invested in capital assets	<u>20,715</u>	<u>5,160</u>
	<u>3,252,043</u>	<u>3,705,693</u>
	<u>\$ 3,478,579</u>	<u>\$ 3,836,841</u>

Commitment (Note 7)

On behalf of the Board



Director

Director

The Dream Factory Foundation Inc.

Statement of Cash Flows

Year ended December 31

2022

2021

Increase (decrease) in cash

Operating

(Deficiency) excess of revenues over expenditures	\$ (453,650)	\$ 591,294
Items not affecting cash		
Adjustment for amortization	8,281	2,039
Realized gain on investments	(25,863)	(57,558)
Unrealized loss (gain) on investments	236,960	(163,068)
Forgiven portion of Canada Emergency Business Account loan	-	(10,000)
	<u>(234,272)</u>	362,707
Change in non-cash working capital items		
Accounts receivable	5,070	29,047
Prepaid expenses	39,823	5,604
GST receivable	(10,326)	(5,275)
Accounts payable and accrued liabilities	(28,137)	14,195
Deferred revenue	123,525	16,600
	<u>(104,317)</u>	422,878

Financing

Proceeds of Canada Emergency Business Account loan	-	20,000
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Investing

Purchase of investments	(407,899)	(682,456)
Proceeds on sale of investments	166,244	625,296
Purchase of capital assets	(23,836)	(5,618)
	<u>(265,491)</u>	(62,778)

(Decrease) increase in cash (369,808) 380,100

Cash

Beginning of year	<u>901,543</u>	<u>521,443</u>
End of year	<u>\$ 531,735</u>	<u>\$ 901,543</u>

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

1. Nature of operations

The Organization's mandate is to fulfil the dreams of children suffering from chronic or life-threatening illnesses. The Organization is incorporated, without share capital, under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act, and therefore, is not subject to income taxes.

2. Significant accounting policies

Basis of presentation

The Organization has prepared these financial statements in accordance with the Canadian accounting standards for not-for-profit organizations (ASNPO).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions and term deposits with maturities of three months or less.

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost, except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Financial instruments

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

The Organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial instruments measured at cost or amortized cost less any reduction for impairment include cash, accounts receivable, investments (not quoted on an active market) accounts payable and accrued liabilities, and Canada Emergency Business Account loan.

Financial instruments measured at fair value include investments. The fair value of investments in publicly traded companies has been determined using the closing price at year end.

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs

Capital assets

Capital assets are recorded at cost. Amortization is provided at rates intended to allocate the cost of capital assets over their estimated useful lives as follows:

Office furniture	20%,	declining balance
Computer equipment	45%-55%,	declining balance

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may exceed the fair value.

Employee future benefits

The Organization offers a defined contribution pension plan to employees. An expense is recorded in the period when the Organization is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included in payables and accruals on the balance sheet.

Revenue recognition

Donations, memberships, fundraising and grants

The Organization follows the deferral method of accounting for revenues. Amounts received for events and expenses to be incurred in future periods are deferred and recognized as revenue in the same period in which the event and related expenses are recognized. Unrestricted revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowments received are recognized as direct increases in net assets.

Investment income

Interest revenue is recognized on a time proportion basis. Dividend revenue is recognized when the right to receive a dividend has been established. Other types of revenue are recorded in the period in which they are earned, and measurement and collectability is reasonable assured

Donated services and supplies in kind

The Dream Factory Foundation Inc. records the estimated fair market value of donated services and supplies in kind in the financial statements when reliable estimates of fair value can be made.

Internally restricted net assets for future dreams

The Board of Directors' policy is to internally restrict net assets for approved dreams that have not yet been completed. Accordingly, the Board has internally restricted funds for dreams not yet completed at a budgeted cost of \$515,000 (2021 - \$412,000).

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (continued)

Internally restricted net assets for future dreams (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Some items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically, and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include the estimated fair value of donated services and supplies in kind.

Allocation of expenses

The Dream Factory Foundation Inc. allocates general and administrative expenses evenly between cost of dreams granted, fundraising and administration expenses, except for rent and wage expenses. Rent and wage expenses are allocated based on estimated staff time spent for each class of expenses. Any expenses that are directly related to a certain class, are recorded directly to that class. Classes of expenses are cost of dreams, fundraising, charitable programs and administration.

3. Investments

The investments consist of marketable securities, which are quoted in an active market and accounted for at fair market value. The Scotiabank GIC's are accounted for at amortized cost.

	<u>2022</u>	<u>2021</u>
Scotiabank GIC (Maturity: December 5, 2023)	\$ 100,000	\$ -
Fixed income	951,689	891,903
Equities	580,428	721,932
Mutual funds	<u>1,126,267</u>	<u>1,213,991</u>
	<u>\$ 2,758,384</u>	<u>\$ 2,827,826</u>

Investments classified as long term, have a maturity date of more than one year after the financial statement date.

	<u>2022</u>	<u>2021</u>
Scotiabank GIC (Maturity: January 5, 2024)	<u>\$ 100,000</u>	<u>\$ -</u>

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

4. Capital assets

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Office furniture	\$ 10,002	\$ 9,315	\$ 10,002	\$ 9,143
Computer equipment	<u>62,402</u>	<u>42,374</u>	<u>38,566</u>	<u>34,265</u>
	<u>72,404</u>	<u>51,689</u>	<u>48,568</u>	<u>43,408</u>
Net book value	<u>\$ 20,715</u>		<u>\$ 5,160</u>	

5. Deferred revenue

Deferred revenue includes sponsorships received for the subsequent year's fundraising events, primarily the annual Dream Maker Auction, and other revenues received for events and expenses to be incurred in future periods. These amounts are recognized as income when the related event occurs.

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 27,850	\$ 21,600
Sponsorships recognized	(27,850)	-
Sponsorships received	26,375	6,250
Grants received	<u>125,000</u>	<u>-</u>
	<u>\$ 151,375</u>	<u>\$ 27,850</u>

The Organization received grants to be deferred from The Goodman Foundation for \$90,000 and from the Winnipeg Foundation for \$35,000.

6. Canada Emergency Business Account loan

The amount of \$40,000 represents the unforgivable balance of the \$60,000 interest-free loan received under the Government of Canada COVID response programs. \$20,000 of the loan will be eligible for loan forgiveness, if the loan is fully repaid on or before December 31, 2023. If the loan is not fully repaid by December 31, 2023 the remaining balance will be repayable and will bear interest at a rate of 5% per annum beginning on January 1, 2024. The loan is due in full December 31, 2025.

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

7. Commitments

The Organization renewed its lease on its office premises under a short-term operating lease. The lease commenced on November 1, 2022 and is for a period of one year, expiring October 31, 2023. Total future minimum lease payments (exclusive of occupancy charges) is \$22,920.

Future lease commitments after the current expiration date are not known as at the report date.

In addition to the office lease, the Organization has a commitment to disburse up to an estimated \$95,500 of additional family funds for dreams that are pending and approved.

8. Related party transactions

The Organization will carry out transactions with certain Board of Director members throughout the year. These transactions are in the normal course of operations and are measured at the exchange amount.

During the year, the Organization received donations of \$80,388 and purchased goods and services of \$62,782 from related parties.

9. Donated services and supplies in kind

The Organization receives substantial donated services and supplies which have been recorded in the financial statements and included in revenue and expenses as follows:

	<u>2022</u>	<u>2021</u>
Revenue		
Donations, memberships	\$ 152,171	\$ 41,857
Fundraising	<u>234,671</u>	<u>1,192</u>
	<u>\$ 386,842</u>	<u>\$ 43,049</u>
	<u>2022</u>	<u>2021</u>
Expenses		
Cost of dreams granted	\$ 142,771	\$ 26,067
Fundraising	234,671	5,984
Administration	<u>9,400</u>	<u>15,790</u>
	<u>\$ 386,842</u>	<u>\$ 47,841</u>

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

10. Special gifts and bequests

The Organization defines special gifts as unrestricted donations and bequests received during the year that individually exceed \$10,000. The value of special gifts received are expected to fluctuate more significantly than other donations and are therefore included in a separate line on the statement of operations to improve the comparability of the Organization's financial information.

11. Grants	<u>2022</u>	<u>2021</u>
Pollard Foundation	\$ 12,000	\$ 10,000
The Goodman Foundation	-	180,000
The Winnipeg Foundation	18,775	88,039
Other	<u>15,533</u>	<u>15,878</u>
	<u>\$ 46,308</u>	<u>\$ 293,917</u>

12. Financial instruments

The Organization's main financial instrument risk exposure is detailed as follows.

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 Organization is subject to credit risk through receivables and cash held with banks. Risk is minimized by investing surplus funds in financial institutions that maintain a high credit rating. The maximum exposure to credit risk by class of recognized financial assets at the reporting date is equivalent to the carrying value and classification of those financial assets, as presented in the statement of financial position.

The Organization has no significant concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk with respect to its high interest savings account with Scotiabank.

Other price risk

Other price risk is the risk that the fair value or 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 Organization is exposed to other price risk through its investments quoted in an active market.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities, and Canada Emergency Business Account loan. The Organization manages liquidity risk by employing professional management.

The Dream Factory Foundation Inc.

Notes to the Financial Statements

December 31, 2022

13. Government assistance

Under the Tourism and Hospitality Recovery Program (THRP), qualifying organizations can receive funding up to prescribed rates of eligible employees' wages. In order to take advantage of the THRP, the Organization must satisfy certain eligibility criteria, including (among others) a decline in revenue as compared to earlier periods. The Organization has applied and received THRP for the period.

Under the CERS program, eligible organizations who have seen a decline in revenue due to the COVID-19 pandemic may receive a subsidy to cover part of their commercial rent or property expenses. The Organization has applied and received CERS for the period.

The Manitoba Healthy Hire Program provides multiple payments of \$5,000 to eligible Manitoba businesses and organizations to help cover the wages of new employees hired coming out of the COVID-19 pandemic. The Organization has received \$5,000 during the year.

The total resulting benefit of all these programs up to December 31, 2022 was \$15,758 and was recorded as government assistance in the statement of operations as other income. There were no benefits outstanding at year end.

The Dream Factory Foundation Inc. Schedule of Cost Of Dreams Granted

Year ended December 31	2022	2021
Advertising and Promotion	\$ 614	\$ 618
Airfare and Travel	125,205	15,683
Give Kids the World	103,306	10,129
Hotel	21,812	4,970
Insurance	5,183	3,626
Office and Miscellaneous	47,694	35,228
Spending Money	135,575	85,350
Telephone	2,139	1,776
Wages and Benefits	169,222	161,232
Dream Items	475,928	283,224
Beyond Dreams	6,459	14,929
Bears and Blankets	8,361	-
Celebrations and Events	28,334	20,786
Rent	14,219	13,994
	<u>\$ 1,144,051</u>	<u>\$ 651,545</u>

The Dream Factory Foundation Inc.
Schedule of Fundraising Expenses

Year ended December 31	2022	2021
Advertising and Promotion	\$ 7,893	\$ 5,549
Event Costs	539,367	75,510
Rent	11,059	10,987
Office and Miscellaneous	29,205	25,898
Professional Fees	30,193	9,234
Wages and Benefits	145,571	133,560
Travel	<u>4,680</u>	<u>3,651</u>
	<u>\$ 767,968</u>	<u>\$ 264,389</u>

The Dream Factory Foundation Inc.
Schedule of Administrative Expenses

Year ended December 31	2022	2021
Advertising and Promotion	\$ 3,178	\$ 2,183
Amortization	8,281	2,039
Bank Charges and Interest	27,319	14,312
Insurance	3,609	3,126
Office and Miscellaneous	38,470	23,076
Professional Fees	56,600	55,483
Rent	6,320	5,803
Repairs and Maintenance	197	197
Telephone	949	997
Wages and Benefits	<u>80,547</u>	<u>75,503</u>
	<u>\$ 225,470</u>	<u>\$ 182,719</u>
