

Combined Financial Statements of

**TIM HORTON CHILDREN'S  
FOUNDATION, INC.**

And Independent Auditors' Report thereon

Year ended October 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tim Horton Children's Foundation, Inc.

### ***Qualified Opinion***

We have audited the combined financial statements of Tim Horton Children's Foundation, Inc. (the Entity), which comprise:

- the combined statement of financial position as at October 31, 2021
- the combined statement of operations for the year then ended
- the combined statement of changes in fund balances for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Entity as at October 31, 2021, and its combined results of operations and its combined 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 charitable organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of receipts was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the combined statements of financial position as at October 31, 2021 and October 31, 2020
- receipts and excess (deficiency) of receipts over expenses reported in the combined statements of operations for the years ended October 31, 2021 and October 31, 2020



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- the unrestricted fund balances, at the beginning and end of the year, reported in the combined statements of changes in fund balances for the years ended October 31, 2021 and October 31, 2020
- the excess (deficiency) of receipts over expenses reported in the combined statements of cash flows for the years ended October 31, 2021 and October 31, 2020.

Our opinion on the financial statements for the year ended October 31, 2020 was qualified 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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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.



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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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

February 23, 2022

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Combined Statement of Financial Position  
(In thousands of Canadian dollars)

October 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 12,715	\$ 7,085
Accounts and pledged donations receivable (note 2(a))	378	1,179
Sales tax recoverable	57	76
Prepaid expenses	498	360
Due from Restaurant Brands International (note 5)	93	—
	<u>13,741</u>	<u>8,700</u>
Capital assets (note 6)	35,469	36,646
Investments (note 4)	133	104
	<u>\$ 49,343</u>	<u>\$ 45,450</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 1,679	\$ 2,234
Due to Restaurant Brands International (note 5)	—	716
	<u>1,679</u>	<u>2,950</u>
Fund balances:		
Invested in Capital Assets Fund	35,469	36,646
Externally Restricted Fund (note 3)	28	76
Endowment Fund (note 4)	133	104
Unrestricted Fund	12,034	5,674
	<u>47,664</u>	<u>42,500</u>
Economic dependence (note 5)		
Commitment (note 10)		
	<u>\$ 49,343</u>	<u>\$ 45,450</u>

See accompanying notes to combined financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Combined Statement of Operations  
(In thousands of Canadian dollars)

Year ended October 31, 2021, with comparative information for 2020

	2021				2020			
	Unrestricted Fund	Externally Restricted Fund (note 3)	Endowment Fund (note 4)	Total	Unrestricted Fund	Externally Restricted Fund (note 3)	Endowment Fund (note 4)	Total
Receipts (notes 5, 8 and 9)	\$ 22,368	\$ 16	\$ 29	\$ 22,413	\$ 21,324	\$ 109	\$ (1)	\$ 21,432
Expenses:								
Camp operating:								
Wages and benefits	5,433	1	–	5,434	5,730	13	–	5,743
Food and beverage (note 5)	10	–	–	10	20	–	–	20
Sports and program	259	–	–	259	119	–	–	119
Site maintenance	1,047	–	–	1,047	664	–	–	664
Supplies (note 5)	1,627	–	–	1,627	482	–	–	482
Carolee House Leadership								
Bursaries	571	–	–	571	1,010	–	–	1,010
Utilities	551	–	–	551	598	–	–	598
Insurance	664	–	–	664	606	–	–	606
Commemorative gifts	20	–	–	20	17	–	–	17
Travel	8	–	–	8	35	–	–	35
Property taxes	128	–	–	128	115	–	–	115
Camper registration	1	–	–	1	2	–	–	2
Consulting fees	207	–	–	207	92	–	–	92
	10,526	1	–	10,527	9,490	13	–	9,503
Transportation	11	–	–	11	19	–	–	19
Special project	–	30	–	30	–	66	–	66
Fundraising (note 5)	1,927	–	–	1,927	1,906	–	–	1,906
Administration (note 2(e))	1,878	–	–	1,878	2,987	–	–	2,987
Gain on disposal of capital assets, net of insurance recovery	(196)	–	–	(196)	(4)	–	–	(4)
Interest expense (income), net	(31)	–	–	(31)	73	–	–	73
Amortization	3,103	–	–	3,103	9,177	–	–	9,177
	17,218	31	–	17,249	23,648	79	–	23,727
Excess (deficiency) of receipts over expenses	\$ 5,150	\$ (15)	\$ 29	\$ 5,164	\$ (2,324)	\$ 30	\$ (1)	\$ (2,295)

See accompanying notes to combined financial statements.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Combined Statement of Changes in Fund Balances  
(In thousands of Canadian dollars)

Year ended October 31, 2021, with comparative information for 2020

	Externally Restricted Fund (note 3)	Endowment Fund (note 4)	Invested in Capital Assets Fund	Unrestricted Fund	Total
Fund balances, October 31, 2019	\$ 49	\$ 105	\$ 45,415	\$ (774)	\$ 44,795
Additions to capital assets	(3)	–	417	(414)	–
Disposal of capital assets	–	–	(9)	9	–
Amortization of capital assets	–	–	(9,177)	9,177	–
Excess (deficiency) of receipts over expenses	30	(1)	–	(2,324)	(2,295)
Fund balances, October 31, 2020	76	104	36,646	5,674	42,500
Additions to capital assets	(33)	–	2,037	(2,004)	–
Disposal of capital assets	–	–	(111)	111	–
Amortization of capital assets	–	–	(3,103)	3,103	–
Excess (deficiency) of receipts over expenses	(15)	29	–	5,150	5,164
Fund balances, October 31, 2021	\$ 28	\$ 133	\$ 35,469	\$ 12,034	\$ 47,664

See accompanying notes to combined financial statements.



# TIM HORTON CHILDREN'S FOUNDATION, INC.

Combined Statement of Cash Flows  
(In thousands of Canadian dollars)

Year ended October 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of receipts over expenses	\$ 5,164	\$ (2,295)
Items not affecting cash:		
Realized investment income	(6)	(2)
Unrealized gain on investments	(28)	–
Amortization	3,103	9,177
Contributed capital assets	(9)	–
Gain on disposal of capital assets	(196)	(4)
	<u>8,028</u>	<u>6,876</u>
Change in non-cash working capital balances:		
Accounts and pledged donations receivable	801	(958)
Sales tax recoverable	19	2
Prepaid expenses	(138)	(163)
Accounts payable and accrued liabilities	(555)	210
Due from/to Restaurant Brands International	(809)	883
	<u>7,346</u>	<u>6,850</u>
Investing activities:		
Purchase of investments	(36)	(43)
Proceeds from sale of investments	41	46
Purchase of capital assets	(2,028)	(417)
Proceeds from disposals of capital assets	307	13
	<u>(1,716)</u>	<u>(401)</u>
Increase in cash	5,630	6,449
Cash, beginning of year	7,085	636
Cash, end of year	<u>\$ 12,715</u>	<u>\$ 7,085</u>

See accompanying notes to combined financial statements.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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Tim Horton Children's Foundation, Inc. (the "Foundation") is incorporated without share capital under the Ontario Corporations Act. The Foundation is a charitable organization under the Income Tax Act (Canada). As such, it is exempt from income taxes by virtue of paragraph 149(1)(f) of the Income Tax Act (Canada). The Foundation's Canadian federal charitable registration number is 111926 4885 RR0001.

Tim Horton Children's Foundation (US), Inc. (the "US Foundation") was founded on December 28, 1998. The US Foundation is incorporated without share capital under the Kentucky Non-profit Corporation Act. The US Foundation is a charitable organization and is exempt from income taxes by virtue of paragraph 501(c)(3) of the United States Internal Revenue Code. The US Foundation's identification number is 31-1681446.

The Tim Horton Children's Foundation Joint Venture (the "joint venture") was created on December 15, 2000 through a joint venture agreement between the Foundation and the US Foundation for the purpose of operating Tim Horton Camp Kentahten in Campbellsville, Kentucky.

## **1. Basis of presentation:**

These combined financial statements present the financial activities and financial position of the Foundation, including the results of the US Foundation and the joint venture.

The Foundation is the sole member of the US Foundation and thereby controls the US Foundation. Directors of the US Foundation consist of employees of Restaurant Brands International ("RBI"), directors of the Foundation and Tim Hortons restaurant owners ("restaurant owners").

The Foundation and the US Foundation created the joint venture to operate camps in the United States of America for economically disadvantaged children. The joint venture agreement incorporates a formal cost sharing agreement with the US Foundation in that the Foundation will fund, on an annual basis, the amounts required to operate the camp to the extent the US Foundation is unable to fund these costs.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 1. Basis of presentation (continued):

The Foundation and the US Foundation through its joint venture with the Foundation operate camps for economically disadvantaged children in the following locations:

- Kananaskis, Alberta;
- Parry Sound, Ontario;
- St. George, Ontario;
- Tatamagouche, Nova Scotia;
- Quyon, Quebec;
- Pinawa, Manitoba; and
- Campbellsville, Kentucky.

## 2. Significant accounting policies:

The combined financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook and include the following significant accounting policies:

### (a) Revenue receipts recognition:

The Foundation follows the restricted fund method of accounting for revenue receipts ("receipts"). Receipts consist of donations, government assistance subsidies, special events revenue and fees for services. Receipts are recorded as received or when the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted receipts are recognized as receipts in the Unrestricted Fund. Donor restricted receipts for specific purposes are recognized as receipts in the Externally Restricted Fund. All contributions are generally considered unrestricted contributions to the Foundation unless a donor specifies otherwise and would be reflected as receipts of the Unrestricted Fund. If a donor specifies the contribution is for an existing endowed fund or specifies it is to be retained permanently, it is recognized as receipts of an endowment fund.

The Foundation has historically received substantially all of its donations from the following groups:

- Restaurant owners;
- RBI, its employees and their suppliers;
- directors of the Foundation; and
- the general public through donation options located inside Tim Hortons restaurants.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 2. Significant accounting policies (continued):

From time to time, through the normal course of operations, the Foundation accepts pledges related to future donations. Pledged donations, recorded in these combined financial statements and to be received in future periods, are included under accounts and pledged donations receivable. The maximum credit risk with these pledged donations is the fair value of the pledged donations receivable. The value of pledged donations receivable as at October 31, 2021 was nil (2020 - nil).

### (b) Fund accounting:

The Foundation ensures as part of its fiduciary responsibilities that all funds received with a restricted purpose are expended for the purposes for which they were provided.

For financial reporting purposes, the accounts have been classified into the following funds:

#### (i) Unrestricted Fund:

The Unrestricted Fund accounts for the Foundation's general fundraising, operating and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

#### (ii) Invested in Capital Assets Fund:

The Invested in Capital Assets Fund includes funds that have been used for the purpose of purchasing capital assets net of accumulated amortization and financial costs.

#### (iii) Externally Restricted Fund:

The Externally Restricted Fund consists of amounts that have been received that have been restricted as specified by the donor for purposes such as capital and education. Expenses are recorded in the fund when these restricted amounts have been incurred on eligible expenses.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 2. Significant accounting policies (continued):

### (iv) Endowment Fund:

The Endowment Fund consists of contributions received where donors have restricted the original contribution to be maintained in perpetuity. Investment income earned on the endowed funds has not been restricted by the donors, as such, realized investment income and expenses are recorded in the Unrestricted Fund. Change in fair value of the endowed funds, which have not been restricted, are recorded in the Endowment Fund.

### (c) Cash:

The Foundation's policy is to present bank balances under cash.

### (d) Capital assets:

#### (i) Tangible assets:

Tangible assets purchased are recorded at cost. Donations of tangible assets are recorded at estimated fair value when that value can be reasonably determined. Amortization of tangible assets is calculated over their estimated useful lives on a straight-line basis as follows:

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Buildings	25 years
Equipment and furnishings	5 years
Paving	15 years
Machinery	10 years
Marine vehicles and equipment	5 years
Vehicles	5 years
Computers	3 years
Livestock	10 years

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Construction-in-progress is not amortized until the assets are available for productive use.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 2. Significant accounting policies (continued):

### (ii) Intangible assets:

The intangible assets are recorded at cost and are amortized over their estimated useful life on a three year straight-line basis.

The Foundation reviews the carrying amounts of its long-lived assets, including capital assets and intangible assets, regularly. Long-lived assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Foundation's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the long lived assets are less than their net carrying amounts. Any excess of the net carrying amount over any residual value is recognized as an expense in the combined statement of operations.

### (e) Foreign currencies:

Receipts and expense items are translated into Canadian dollars at the rate in effect at the time the transaction occurred. Monetary assets and liabilities are translated into Canadian dollars at the rate in effect at the combined statement of financial position date. Exchange gains and losses arising from translation were recognized in the combined statement of operations, as the US Foundation and the joint venture are determined to be of an integrated nature and the functional currency was determined to be the Canadian dollar. In the current year, foreign exchange losses were \$88 (2020 - \$26) and included in administration expense.

### (f) Contributed materials and services:

The Foundation benefits from various donated materials and services, including food products and camp supplies. Amounts for these materials and services have been included in the combined statement of operations when the fair value can be reasonably estimated and the Foundation would have otherwise purchased the contributed materials and services for its activities. The amounts included in the combined statement of operations represent the fair value of the contributed materials at the date of donation. In fiscal 2021, the total amount of contributed materials and services recorded in the combined financial statements was \$184 (2020 - \$6). These amounts have been included in corporate \$183 (2020 - \$5) and individual \$1 (2020 - \$1).

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 2. Significant accounting policies (continued):

### (g) Financial assets and liabilities:

The Foundation initially measures its financial assets and financial liabilities at fair value.

Equity instruments that are quoted in an active market are subsequently measured at fair value. Changes in fair value are recognized in the combined statement of operations. All other financial assets are subsequently recorded at amortized cost, including cash, accounts and pledged donations receivable, sales tax recoverable, due from Restaurant Brands International and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Restaurant Brands International.

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 and financing costs incurred on acquisition, which are amortized on a straight-line basis.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. When events occurring after the impairment confirm a reversal is necessary, the reversal is recognized in the excess of receipts over expenses for the year up to the amount of the previously recognized impairment.

### (h) Inter-organization transactions:

All inter-organization transactions and balances between the Foundation, the US Foundation and the joint venture are eliminated on combination of the financial statements.

### (i) Use of estimates:

The preparation of these combined financial statements requires management to make estimates and assumptions that affect receipts and expenses during the reporting year, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the combined financial statements. Significant items subject to such estimates and assumptions include the useful lives of capital assets. Actual results could differ from those estimates.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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### 3. Externally Restricted Fund:

In fiscal 2012, the Foundation launched the Mission 10 Million Campaign to raise funds for the purpose of increasing its capacity in order to provide services to a greater number of children. This increased capacity was to be achieved through the expansion of existing facilities or construction of a new camp in Manitoba. During the year, \$1 (2020 - \$6) was received in contributions toward the Mission 10 Million Campaign, and \$33 (2020 - \$3) was used to fund costs associated with capital costs for the camp in Manitoba.

In fiscal 2020, a Tim Horton COVID-19 Relief Fund was established in Canada and the US to assist Tim Horton employees who were affected by the COVID-19 pandemic. During 2021, nil (2020 - \$103) was received in contributions toward the fund and \$30 (2020 - \$66) was used to assist Tim Horton employees who were affected by the COVID-19 pandemic. At October 31, 2021, there was an undistributed balance of \$7 (2020 - \$37), which is expected to be distributed to affected Tim Horton employees by the end of March 2022.

In fiscal 2021, the Foundation received a donation of \$15 to be used towards supporting youth from the Northwest Territories. A total of \$1 was expended during the year.

### 4. Endowment Fund:

During the year, the Foundation received endowments of \$1 (2020 - \$1), which are required to be maintained by the Foundation on a permanent basis. The funds were invested in debt and equity securities where \$28 (2020 - loss of \$2) of unrestricted investment income was earned. As at October 31, 2021, the fair value of the net investment balance related to the Endowment Fund is \$133 (2020 - \$104).



# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

## 5. Related party transactions:

During 2021, the Foundation engaged in transactions with restaurant owners, who are franchisees under RBI. Restaurant owners are a related party to the Foundation as they have the ability to significantly influence the strategic and operational policies and activities of the Foundation through their representation on the Board of Directors. This relationship has been extended to the franchisor, RBI, and its related entities, who support the Foundation through brand recognition. RBI's related entities include all entities under the RBI Group because they are all under the common control of RBI.

During the year, the Foundation received \$7,935 (2020 - \$7,674) in donations from restaurant owners. Restaurant owners also collected donations of \$6,210 (2020 - \$6,344) on behalf of the Foundation, which were forwarded to the Foundation during the fiscal year.

During the year, the Foundation recorded the following transactions with RBI and its related entities:

	2021	2020
Donations:		
The TDL Group Corporation	\$ 1,358	\$ 1,350
Tim Hortons Advertising and Promotion Fund (Canada) Inc.	2,200	2,200
Tim Horton COVID-19 Relief Fund	–	103
Services:		
Fee for service activity	1	–
Purchase of food and beverage and supplies	(44)	(238)
	<u>\$ 3,515</u>	<u>\$ 3,415</u>

These amounts have been recorded in line with the Foundation's revenue and expense policies. Purchase of food and beverage and supplies is included under camp operating expenses in the combined financial statements.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

## 5. Related party transactions (continued):

As at October 31, 2021, the Foundation had the following balances outstanding with RBI and its related parties:

	2021	2020
Receivable from (payable to) The TDL Group Corporation	\$ 91	\$ (728)
Receivable from Tim Hortons USA Inc.	2	12
	<u>\$ 93</u>	<u>\$ (716)</u>

Receivables and payables are non-interest bearing and due on demand.

All related party transactions are carried out in the normal course of operations and are recorded at the exchange value, which is the amount of consideration established and agreed to by the related parties.

The Foundation receives a significant portion of its revenue in the form of donations from RBI and its related entities. In management's opinion, the Foundation's continued operations are dependent on the continuance of these donations.

## 6. Capital assets:

2021	Cost	Accumulated amortization	Net
Tangible assets:			
Land	\$ 3,670	\$ –	\$ 3,670
Buildings	66,994	38,445	28,549
Equipment and furnishings	8,687	7,897	790
Paving	2,247	1,571	676
Machinery	726	460	266
Marine vehicles and equipment	956	894	62
Vehicles	1,173	710	463
Computers	808	693	115
Livestock	84	55	29
Construction-in-progress	670	–	670
Intangible assets:			
Computer software	779	600	179
	<u>\$ 86,794</u>	<u>\$ 51,325</u>	<u>\$ 35,469</u>

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

## 6. Capital assets (continued):

2020	Cost	Accumulated amortization	Net
Tangible assets:			
Land	\$ 3,635	\$ –	\$ 3,635
Buildings	67,295	36,693	30,602
Equipment and furnishings	8,230	7,599	631
Paving	2,247	1,487	760
Machinery	922	671	251
Marine vehicles and equipment	969	839	130
Vehicles	1,120	939	181
Computers	686	636	50
Livestock	87	49	38
Construction-in-progress	214	–	214
Intangible assets:			
Computer software	678	524	154
	<u>\$ 86,083</u>	<u>\$ 49,437</u>	<u>\$ 36,646</u>

In the current year, contributed capital assets amounted to \$9 (2020 - nil), which in 2021 consisted of equipment.

## 7. Loan facilities:

As at October 31, 2021, the Foundation has existing loan facilities, secured by a general security agreement and moveable property, as follows:

- An operating credit facility of \$5,000 to provide funding for general operating requirements of the Foundation and/or standby letters of credit/letters of guarantee up to \$50 at any one time; the interest rate on the facility is the bank's prime lending rate plus 0.75%; and
- \$1,500 and \$250 U.S. dollar purchase card availability for general corporate and working capital purposes.

As at October 31, 2021, the operating credit facilities have not been drawn upon.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

## 8. Government remittances payable and government grants:

Government remittances payable consist of amounts (such as payroll withholding taxes) required to be paid to government authorities. As at October 31, 2021, government remittances payable to the federal and provincial governments included in accounts payable and accrued liabilities amounted to nil (2020 - \$6).

During the year, the Foundation was eligible to apply for and received the Canada Emergency Wage Subsidy in the amount of \$2,157 (2020 - \$2,181).

## 9. Sources of contributions:

Contributions received by the Foundation during the year are from the following sources:

	2021	2020
Camp day donations	\$ 11,845	\$ 10,458
Coin program donations	1,442	2,650
Donations from RBI	3,550	3,550
Corporate donations	723	588
Individual donations	899	542
Special events	352	275
Fees for services and other receipts (note 8)	2,768	2,478
Warm Wishes, TH Merchandise and Timmies Minis	834	891
	<u>\$ 22,413</u>	<u>\$ 21,432</u>

## 10. Commitment:

On July 1, 1999, the US Foundation entered into a lease agreement with the Commonwealth of Kentucky to lease 50 acres of land located in Green River Lake State Park to expire on August 21, 2026, with two renewal periods totaling 50 years. The lease requires annual rental payments of one dollar (\$1) during its initial term and two renewal terms. The fair value of the operating land lease expenses cannot be reasonably estimated and as such has not been reflected in the combined financial statements.

# TIM HORTON CHILDREN'S FOUNDATION, INC.

Notes to Combined Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended October 31, 2021

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## 11. Financial risk management:

The main risks to which the Foundation's financial assets and liabilities are exposed are credit risk, foreign currency risk, and general economic risk. It is management's opinion that the Foundation is not exposed to significant interest rate risk, market risk and cash flow risk. There has been no significant change to the risk profile from 2020.

### (a) Credit risk:

The Foundation grants credit in the normal course of business and is exposed to credit risk on its accounts receivable. Credit evaluations are performed on a regular basis, and the combined financial statements take into account an allowance for bad debts. The maximum credit risk is the fair value of the accounts receivable balance.

### (b) Foreign currency risk:

Foreign currency risk is the risk that future cash flows arising from amounts receivable and/or payable in a foreign currency will fluctuate because of changes in foreign exchange rates. As at October 31, 2021, the Foundation had cash of \$1,129 (2020 - \$945) denominated in U.S. dollars.

### (c) General economic risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have resulted in a decline in expenses due to the modification of programs, cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

The Foundation is subject to market risk and interest rate risk with respect to its investment portfolio. To manage these risks, the Foundation has a comprehensive investment policy and has established a target mix of investment types designed to achieve the optimal return with reasonable risk tolerances.