BEACHES SANDBOX FOUNDATION

FINANCIAL STATEMENTS

AUGUST 31, 2025

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Board of Beaches Sandbox Foundation

Opinion

We have audited the financial statements of Beaches Sandbox Foundation (the "Foundation"), which comprise the statement of financial position as at August 31, 2025, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at August 31, 2025, 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 Opinion

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 Foundation 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 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 ability of the Foundation 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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Foundation.

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 the financial statements.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 internal control of the Foundation.
- 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 ability of the Foundation 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 Foundation 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.

Hilborn LLP

Toronto, Ontario
November 17, 2025

Chartered Professional Accountants
Licensed Public Accountants

BEACHES SANDBOX FOUNDATION

Statement of Financial Position

August 31	2025 $	2024 $
ASSETS		
Current assets		
Cash	**35,164**	105,193
Restricted cash (note 6)	**37,600**	-
Short-term investment (note 3)	**20,000**	20,000
Other receivables	**68,122**	35,943
Prepaid expenses	**19,714**	19,339
HST recoverable	**30,247**	20,184
	210,847	200,659
Long-term assets		
Capital assets (note 4)	**27,281**	26,585
	238,128	227,244
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**52,237**	43,050
Deferred revenue	**15,617**	32,953
Deferred revenue - restricted (note 6)	**37,600**	-
	105,454	76,003
NET ASSETS		
Unrestricted net assets	**132,674**	151,241
	238,128	227,244

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

BEACHES SANDBOX FOUNDATION

Statement of Operations

Year ended August 31	2025 $	2024 $
Revenue		
Paul W. O'Leary Foundation - contributions (notes 8 & 9)	**715,000**	740,000
Donations	**91,147**	22,121
Program fees	**147,458**	154,622
Rental revenue	**43,791**	17,888
Government grants	**129,387**	55,235
Events	**19,170**	-
cGaming (note 6)	**27,908**	-
	1,173,861	989,866
Expenses		
Program expenditures (note 10)	**372,671**	339,340
Marketing and development (note 10)	**99,866**	92,989
Administration and office (notes 10 & 11)	**395,127**	254,581
Rent (note 8)	**145,640**	145,640
Property taxes, utilities and maintenance (notes 5 & 8)	**168,856**	127,603
Amortization	**10,268**	9,827
	1,192,428	969,980
Excess of revenue over expenses (expenses over revenue) for the year	**(18,567)**	19,886

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

Year ended August 31	2025 $	2024 $
Balance, beginning of year	**151,241**	131,355
Excess of revenue over expenses (expenses over revenue) for the year	**(18,567)**	19,886
Balance, end of year	**132,674**	151,241

The accompanying notes are an integral part of these financial statements

BEACHES SANDBOX FOUNDATION

Statement of Cash Flows

Year ended August 31	**2025**	2024
	$	**$**
Cash flows from operating activities		
Excess of revenue over expenses for year	**(18,567)**	19,886
Adjustments for non-cash items		
Amortization expense	**10,268**	9,827
	(8,299)	29,713
Change in non-cash working capital items		
Decrease (increase) in HST recoverable	**(10,063)**	18,052
Increase in prepaid expenses	**(375)**	(2,295)
Increase in other receivables	**(32,179)**	(35,943)
Increase in deferred revenue	**20,264**	27,778
Increase in accounts payable and accrued liabilities	**9,187**	6,268
Increase in restricted cash	**(37,600)**	-
	(59,065)	43,573
Cash flows from investing activities		
Purchase of capital assets	**(10,964)**	(2,252)
Purchase of short-term investment	**-**	(20,000)
	(10,964)	(22,252)
Net change in cash	**(70,029)**	21,321
Cash, beginning of year	**105,193**	83,872
Cash, end of year	**35,164**	105,193

The accompanying notes are an integral part of these financial statements

August 31, 2025

Nature of operations

The Foundation is a not-for-profit organization incorporated without share capital under the laws of Ontario and is also a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act.

1. **Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

(a) **Basis of Presentation**

The Foundation follows the deferral method of accounting for contributions which include donations and grants.

(b) **Revenue recognition**

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants approved but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Program fee revenue is recognized when the services are provided and the collection is reasonably assured. Fees received for programs which relate to a subsequent fiscal period are reflected as deferred revenue in the year of receipt.

Government grants are recognized when the terms of the grants have been met and collection is reasonably assured.

Rental revenue reflects the Foundation renting their studios on an ad hoc basis to community groups and other non-profits. Revenue is recognized when the services are provided and the collection is reasonably assured.

Donations are recognized when received.

(c) **Donated goods and services**

Donated goods are not recorded in the accounts, except when they are used in the normal course of business and when a fair value for such goods can be readily determined.

The Foundation derives a significant benefit from members acting as volunteers and directors. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements for these same reasons.

August 31, 2025

1. **Significant accounting policies (continued)**

(d) **Related party transactions**

For purposes of these financial statements, a party is considered to be related to the Foundation if such party or the Foundation has the ability to, directly or indirectly, control or exercise significant influence over the other's financial and operating decisions, or if the Foundation and such party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(e) **Financial instruments**

(i) **Measurement of financial instruments**

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, short-term investment and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) **Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of the present value of the cash flows expected to be generated by the asset or group of assets and the amount that could be realized by selling the assets or group of assets

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment. The amount of the reversal is recognized in the statement of operations in the period that the reversal occurs.

August 31, 2025

1. **Significant accounting policies (continued)**

(f) **Capital assets**

Capital assets are recorded at cost and depreciated over their estimated useful lives on a straight line basis at the following annual rates:

Computer equipment	2 years
Furniture and equipment	5 years

The above rates are reviewed annually to assess ongoing appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2025.

(g) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from these estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. **Financial instrument risk management**

The Foundation is affected by a number of economic factors, including changing economic environments and capital markets. As a result, the Foundation faces various risk factors inherent in its normal business activities. In order to proactively address and manage these risks, management continuously reviews and analyzes the Foundation's financial and operating results.

The financial instruments of the Foundation and the nature of the risks to which those instruments may be subject, are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X				
Restricted cash	X				
Short-term investment	X			X	
Other receivables		X			
Accounts payable and accrued liabilities		X			

August 31, 2025

2. **Financial instrument risk management (continued)**

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 Foundation's main credit risks relate to cash, restricted cash, short-term investment and other receivables.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitment.

Market risk

Market risk is the risk that the fair value or 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 Foundation's main market risk relates to its short-term investment.

Changes in risk

There have been an increase to credit risk of the financial instruments of the Foundation from that of the prior year.

3. **Short-term investment**

	2025 $	2024 $
Guaranteed investment certificate	**20,000**	20,000

Guaranteed investment certificate ("GIC") in the amount of $20,000 (2024 - $20,000) is due to mature July 22, 2026 (2024 - July 22, 2025), bearing interest at 2.75% (2023 - 5.00%) per annum. The GIC is pledged as collateral against the Foundation's corporate credit card.

August 31, 2025

4. **Capital assets**

	2025		
	Cost $	Accumulated Amortization $	Net Book Value $
Furniture and equipment	42,215	26,250	15,965
Computer equipment	16,602	5,286	11,316
	58,817	31,536	27,281

	2024		
	Cost $	Accumulated Amortization $	Net Book Value $
Furniture and equipment	42,215	17,788	24,427
Computer equipment	5,639	3,481	2,158
	47,854	21,269	26,585

5. **Property tax rebate**

The government grant received is a property tax rebate of $15,000 (2024 - $24,799) has been recorded net against the Foundation's property taxes, utilities and maintenance expense.

6. **Externally restricted funds**

The City of Toronto has authorized the Foundation to participate in charitable gaming ("cGaming") in the City of Toronto. The funds earned are required to be deposited into a restricted bank account. The funds are restricted to be spent on specific programs and the Foundation needs to submit a claim for payment and withdrawal from the account.

7. **Commitments**

The Foundation entered into a premises lease agreement at 2181 Queen Street East, Toronto expiring in June 2026. The minimum annual rent payments are $121,367 for fiscal 2026.

8. **Due to related party and transactions**

During the year, Paul W. O'Leary Foundation, an organization controlled by one of the directors of the Foundation, donated $715,000 (2024 - $740,000) to the Foundation. The donations are unrestricted.

In 2023, the Foundation entered into a lease agreement for its premises with We the Beach Inc. ("WTB"), a Company owned by the same director that control Paul W. O'Leary Foundation. The total lease payments made to WTB for rent, property taxes, utilities and maintenance was $329,496 (2024 - $298,042), for which a property tax rebate was received and recorded as a net against the expenses on the statement of operations.

August 31, 2025

9. **Economic Dependence**

The Foundation is dependent on contributions from Paul W. O'Leary Foundation to operate. Contributions from Paul W. O'Leary Foundation account for 61% (2024 - 75%) of total revenues for the year.

10. **Salaries and benefits**

Remuneration to employees and program instructors during the year totalled $630,726 (2024- $523,843). The remuneration has been recorded as follows:

	2025 **$**	**2024** **$**
Program expenditures	281,540	273,371
Administration and office	269,186	176,754
Marketing and development	80,000	73,718
	630,726	523,843

11. **Administration and office**

Administration and office expenses include the following:

	2025 **$**	**2024** **$**
Administration salaries	269,186	176,754
Insurance	27,246	25,217
Professional fees	23,108	14,450
Office supplies	55,185	38,160
Administration consulting	20,402	-
	395,127	254,581

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