

**Variety - The Children's Charity of BC**

**Financial Statements**

**September 30, 2015**

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# Variety - The Children's Charity of BC

## Financial Statements

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September 30, 2015

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**INDEPENDENT AUDITORS' REPORT**

To the Directors of Variety – The Children's Charity of BC:

We have audited the accompanying financial statements of Variety – The Children's Charity of BC ("Variety"), which comprise the statement of financial position as at September 30, 2015 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion these financial statements present fairly, in all material respects, the financial position of Variety – The Children's Charity of BC as at September 30, 2015, 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.

*Report on Other Legal Regulatory Requirements*

As required by the British Columbia Society Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the previous year.

Vancouver, B.C.  
November 30, 2015

*Crowe MacKay LLP*  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

# VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Operations  
Year ended September 30, 2015

	General Fund	Gaming Fund	Other Restricted Fund	Endowment Fund	BCFRP Fund	Total 2015	Total 2014
<b>Revenues</b>							
Donations and bequests	\$ 5,689,240	\$ -	\$ 219,050	\$ 5,000	\$ -	\$ 5,913,290	\$ 6,132,523
Government program	-	-	-	-	3,000,000	3,000,000	2,500,000
Interest, membership and miscellaneous	540,997	480	2,529	15,837	32,639	592,482	467,747
Gaming revenue	-	244,206	-	-	-	244,206	285,609
	<b>6,230,237</b>	<b>244,686</b>	<b>221,579</b>	<b>20,837</b>	<b>3,032,639</b>	<b>9,749,978</b>	<b>9,385,879</b>
<b>Expenditures</b>							
Fundraising	2,164,602	61,678	-	-	-	2,226,280	2,662,322
Administration and general	1,206,155	-	-	-	314,780	1,520,935	1,599,242
Amortization	62,768	-	-	-	-	62,768	67,321
Occupancy costs	103,471	-	-	-	-	103,471	84,117
Heart of Variety Fund disbursements	4,158,191	178,337	63,099	-	-	4,399,627	4,328,576
BCFRP disbursements	-	-	-	-	1,172,776	1,172,776	1,277,819
	<b>7,695,187</b>	<b>240,015</b>	<b>63,099</b>	<b>-</b>	<b>1,487,556</b>	<b>9,485,857</b>	<b>10,019,397</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (1,464,950)</b>	<b>\$ 4,671</b>	<b>\$ 158,480</b>	<b>\$ 20,837</b>	<b>\$ 1,545,083</b>	<b>\$ 264,121</b>	<b>\$ (633,518)</b>

# VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Changes in Net Assets  
Year ended September 30, 2015

	Investment in			Externally Restricted	Total 2015	Total 2014
	Unrestricted	Property and Equipment	Internally Restricted			
<b>Balance, beginning of year</b>	\$ 9,173,459	\$ 1,802,825	\$ 1,250,000	\$ 3,770,158	\$ 15,996,442	\$ 16,629,960
Excess (deficiency) of revenues over expenditures	(1,402,182)	(62,768)	-	1,729,071	264,121	(633,518)
Interfund transfers (note 4)	1,304,554	5,446	(1,250,000)	(60,000)	-	-
<b>Balance, end of year</b>	\$ 9,075,831	\$ 1,745,503	\$ -	\$ 5,439,229	\$ 16,260,563	\$ 15,996,442

	2015	2014
<b>Externally Restricted</b>		
Gaming fund (note 2(b) and 7)	\$ 27,827	\$ 23,156
Other restricted fund (note 2(b) and 7)	477,759	319,279
Named endowment fund (note 2(b) and 7)	714,887	754,050
BCFRP fund (note 2(b) and 7)	4,218,756	2,673,673
	<b>\$ 5,439,229</b>	<b>\$ 3,770,158</b>

# VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Financial Position  
As at September 30, 2015

	Other					Total	
	General Fund	Gaming Fund	Restricted Fund	Endowment Fund	BCFRP Fund	September 30, 2015	September 30, 2014
<b>Assets</b>							
<b>Current</b>							
Cash	\$ 1,631,437	\$ 30,918	\$ -	\$ -	\$ 4,273,103	\$ 5,935,458	\$ 3,129,185
Short-term investments	7,962,846	-	-	-	-	7,962,846	9,324,012
GST receivable	20,304	-	-	-	3,528	23,832	13,323
Accrued interest receivable	43,720	-	-	-	-	43,720	45,289
Prepaid expenses	99,860	-	-	-	-	99,860	68,286
Interfund balances (note 4)	(368,093)	(3,091)	477,759	(60,000)	(46,575)	-	-
	9,390,074	27,827	477,759	(60,000)	4,230,056	14,065,716	12,580,095
<b>Property and equipment (note 5)</b>	1,745,504	-	-	-	-	1,745,504	1,802,825
<b>Endowment Funds - Guaranteed Investment Certificates (note 6)</b>	-	-	-	774,887	-	774,887	2,004,050
	\$ 11,135,578	\$ 27,827	\$ 477,759	\$ 714,887	\$ 4,230,056	\$ 16,586,107	\$ 16,386,970

# VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Financial Position  
As at September 30, 2015

	General Fund	Gaming Fund	Other Restricted Fund	Endowment Fund	BCFRP Fund	Total September 30, 2015	Total September 30, 2014
<b>Liabilities</b>							
<b>Current</b>							
Accounts payable and accrued liabilities	\$ 294,802	\$ -	\$ -	\$ -	\$ 11,300	\$ 306,102	\$ 351,424
Deferred revenue	19,442	-	-	-	-	19,442	39,104
	314,244	-	-	-	11,300	325,544	390,528
<b>Net Assets</b>							
Unrestricted	9,075,831	-	-	-	-	9,075,831	9,173,459
Invested in property and equipment	1,745,503	-	-	-	-	1,745,503	1,802,825
Internally restricted (note 6)	-	-	-	-	-	-	1,250,000
Externally restricted (note 7)	-	27,827	477,759	714,887	4,218,756	5,439,229	3,770,158
	10,821,334	27,827	477,759	714,887	4,218,756	16,260,563	15,996,442
	\$ 11,135,578	\$ 27,827	\$ 477,759	\$ 714,887	\$ 4,230,056	\$ 16,586,107	\$ 16,386,970

**Commitments (note 8)**

Approved on behalf of the Board of Directors:

"Atanu Dalal"  
Board member

"Doug Rogers"  
Board member

# VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Cash Flows  
Year ended September 30, 2015

	General Fund	Gaming Fund	Other Restricted Fund	Endowment Fund	BCFRP Fund	Total 2015	Total 2014
<b>Cash and cash equivalents provided by (used for)</b>							
<b>Operating activities</b>							
Excess (deficiency) of revenues over expenditures	\$ (1,464,950)	\$ 4,671	\$ 158,480	\$ 20,837	\$ 1,545,083	\$ 264,121	\$ (633,518)
Items not involving cash:							
Amortization	62,768	-	-	-	-	62,768	67,321
Loss on disposal of equipment	(1,402,182)	4,671	158,480	20,837	1,545,083	326,889	(565,564)
Changes in non-cash working capital items	118,528	(1,224)	(158,480)	-	(64,323)	(105,499)	45,848
	(1,283,654)	3,447	-	20,837	1,480,760	221,390	(519,716)
<b>Investing activities</b>							
Purchase of property and equipment	(5,446)	-	-	-	-	(5,446)	(53,033)
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,289,100)	3,447	-	20,837	1,480,760	215,944	(572,749)
<b>Cash and cash equivalents, beginning of year</b>	9,633,383	27,471	-	2,004,050	2,792,343	14,457,247	15,029,996
<b>Interfund cash transfer</b>	1,250,000	-	-	(1,250,000)	-	-	-
<b>Cash and cash equivalents, end of year</b>	\$ 9,594,283	\$ 30,918	\$ -	\$ 774,887	\$ 4,273,103	\$ 14,673,191	\$ 14,457,247
<b>Cash and cash equivalents consists of:</b>							
Cash	\$ 1,631,437	\$ 30,918	\$ -	\$ -	\$ 4,273,103	\$ 5,935,458	\$ 3,129,185
Short-term investments	7,962,846	-	-	-	-	7,962,846	9,324,012
Endowment funds - GIC's	-	-	-	774,887	-	774,887	2,004,050
	\$ 9,594,283	\$ 30,918	\$ -	\$ 774,887	\$ 4,273,103	\$ 14,673,191	\$ 14,457,247



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# Variety - The Children's Charity of BC

## Notes to the Financial Statements

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September 30, 2015

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### 1. Nature of Operations

Variety - The Children's Charity of BC ("Variety") is incorporated as a Society in British Columbia and operates as a registered charity, as defined in the Canadian Income Tax Act.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### (a) Cash equivalents

Cash equivalents consist principally of Guaranteed Investment Certificates (GIC's) and other high liquid interest bearing instruments that are convertible into cash at the option of Variety.

#### (b) Recognition of contributions and investment income

Variety follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted donations that are not recorded in other funds.

The Gaming Fund reports only restricted resources that are to be used in accordance with gaming regulations.

The Other Restricted Fund reports only restricted resources that are to be used for On My Way and Sunshine Coach programs.

The Endowment Fund reports resources contributed for endowment. Dividend and interest income earned on resources of the Endowment Fund is reported in either the Other Restricted Fund or General Fund depending on the nature of any restrictions imposed by the contributors.

The BC Family Residence Program (BCFRP) Fund reports only restricted resources that are to be used for the BCFRP on behalf of The Provincial Health Services Authority (PHSA).

Revenue for the various funds are recognized in the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income comprises interest from cash, interest from fixed income investments, and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis.

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## Variety - The Children's Charity of BC

### Notes to the Financial Statements

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September 30, 2015

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#### 2. Significant Accounting Policies (continued)

##### (c) Short-term investments

Variety has investments in GIC's and term deposits. Investments are initially and subsequently recorded at fair value, with the unrealized gains (losses) recorded in the statement of operations. Transaction costs associated with the acquisition and disposal of investments are expensed. All investments are readily convertible into cash at the option of Variety.

##### (d) Property and equipment

Property and equipment are recorded at cost. Amortization of property and equipment is provided over their estimated useful life at the rates in note 5. One half the normal amortization rate is taken in the year of acquisition and no amortization is taken in the year of disposal.

##### (e) Commitments

As part of its charitable operations, Variety makes various commitments to other organizations to fund expenditures or to provide assets. These commitments are fulfilled by the ongoing operations of Variety and are not necessarily intended to be met by assets currently on hand. Accordingly, these commitments are recorded when approved and due (note 8).

##### (f) Donated goods and services

The value of donated goods and services are treated as follows:

- i) Donated goods which are to be used for specific joint projects or specific fund-raising projects, for which fair value can be reasonably estimated and which would have been purchased had they not been donated for the project, are recorded in the accounts at fair market value.
- ii) Donated services received for internal and for miscellaneous internal fundraising activities are not recorded in the accounts.

##### (g) Occupancy costs

Occupancy costs represent the costs of maintaining and operating the building, net of rental income received from tenants and do not include amortization of the building. Included in this is gross rental income of \$73,512 (2014 - \$73,922).

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# Variety - The Children's Charity of BC

## Notes to the Financial Statements

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September 30, 2015

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### 2. Significant Accounting Policies (continued)

#### (h) Financial instruments

##### Measurement of financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Variety subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value without any adjustment for transaction costs. Changes in fair value are recognized in net income in the period in which they occur.

Financial assets measured at amortized cost include cash, accounts receivable, accrued interest receivable and endowment funds.

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

Financial assets measured at fair value include short term investments.

##### Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in the statement of operations.

Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal is recognized in the statement of operations.

#### (i) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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## Variety - The Children's Charity of BC

### Notes to the Financial Statements

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September 30, 2015

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#### 3. Financial Instruments and Risk

All significant financial assets, financial liabilities and equity instruments of Variety are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Variety manages its short-term investments on the basis of its cash requirements and to optimize its interest income.

##### Credit risk

Variety is exposed to credit risk in its cash and cash equivalents as all amounts are held at a major Canadian financial institution. The organization limits its credit risk with respect to short-term investments by purchasing liquid investments such as term deposits and guaranteed investment certificates and holds all funds at Canadian institutions.

Variety is exposed to credit risk in its accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Other accounts receivable balances are primarily collectible from government agencies which limits this risk.

##### Liquidity risk

Liquidity risk is the risk that Variety will not be able to meet its financial obligations as they become due. The organization's financial liabilities consist of its accounts payable and accrued liabilities which are all due to be paid within one year. Available cash and cash equivalent balances are more than sufficient to fund Variety's operations and commitments for the foreseeable future.

There have been no changes in Variety's risk exposures from the prior year.

#### 4. Interfund Transfer and Balances

During the year \$5,446 (2014 - \$53,033) of general funds were used to purchase property and equipment. Also \$1,250,000 (2014 - Nil) was transferred from the Internally Restricted Administrative Endowment Fund to the General Fund and \$60,000 was transferred from the Named Endowment Fund to the General Fund. All interfund balances are due on demand and non-interest bearing.

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## Variety - The Children's Charity of BC

### Notes to the Financial Statements

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September 30, 2015

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#### 5. Property and equipment

2015				
	Rate	Cost	Accumulated Amortization	Net book value
Land	n/a	\$ 813,639	\$ -	\$ 813,639
Building	4%	1,748,465	892,424	856,041
Building improvements	5 yrs S.L.	372,608	372,608	-
Office and computer equipment	20%	620,809	570,034	50,775
Signs	20%	2,488	2,488	-
Telethon set	3 yrs S.L.	58,721	41,843	16,878
Vehicles	30%	59,427	51,256	8,171
		<b>\$ 3,676,157</b>	<b>\$ 1,930,653</b>	<b>\$ 1,745,504</b>

2014				
	Rate	Cost	Accumulated Amortization	Net book value
Land	n/a	\$ 813,639	\$ -	\$ 813,639
Building	4%	1,748,465	856,756	891,709
Building improvements	5 yrs S.L.	372,608	372,608	-
Office and computer equipment	20%	615,362	558,020	57,342
Signs	20%	2,488	2,488	-
Telethon set	3 yrs S.L.	58,721	30,258	28,463
Vehicles	30%	59,427	47,755	11,672
		<b>\$ 3,670,710</b>	<b>\$ 1,867,885</b>	<b>\$ 1,802,825</b>

In 2014, the Charity retired a portion of its old telethon set and a loss of \$633 was realized, which was included in administration and general expenditures.

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# Variety - The Children's Charity of BC

## Notes to the Financial Statements

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September 30, 2015

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### 6. Endowment Funds

In 2015 Variety moved the Internally Restricted Administrative Endowment Fund created in fiscal 2002 to the General Fund. In addition, \$60,000 was approved for transfer from the Segal Endowment Fund to the General Fund. All external contributions are recorded in the financial statements as revenue under the Endowment fund. Contributions can be accepted to the general endowment fund and/or "named endowments" may be accepted as subsidiary parts of the general endowment for administrative purposes. "Named endowment" contributions must be a minimum of \$10,000 (either lump-sum or smaller amounts that accumulate to this total) before they will be recognized as "endowed" for the purposes stated in the donor's endowment agreement.

The endowment funds consist of the following:

	2015 Contributions and interest	2014 Contributions and interest
<b><u>Internally Restricted</u></b>		
<b>Administrative Endowment Fund</b> (Income of which is to be used to cover the administrative costs of Variety.) (note 4)		
	\$ -	\$ 1,250,000
<b><u>Externally Restricted</u></b>		
<b>The Joseph and Rosalie Segal Endowed Fund</b> (Income of which is to be used for the benefit of Variety's children who have special needs. The charity shall be advised on the distribution of income by an advisory committee, which shall meet once per year.)		
	605,527	649,690
<b>The Yolande Anderson Endowed Fund</b> (Income of which is to be used to provide funding for special equipment and devices that will help Variety's children of the future walk, talk, see and hear.)		
	95,000	90,000
<b>The Art and Mary Jones Endowed Fund</b> (Income of which is to be used to provide funding for special equipment and devices that will help Variety's children of the future walk, talk, see and hear.)		
	14,360	14,360
	<b>714,887</b>	<b>754,050</b>
<b>Total endowment funds</b>	<b>\$ 714,887</b>	<b>\$ 2,004,050</b>

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## Variety - The Children's Charity of BC

### Notes to the Financial Statements

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September 30, 2015

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#### 7. Externally Restricted Net Assets

	Gaming Fund	Other Restricted Fund	Named Endowment Fund	BCFRP Fund	2015 Total
Balance, beginning of year	\$ 23,156	\$ 319,279	\$ 754,050	\$ 2,673,673	\$ 3,770,158
Excess of revenues over expenditures	4,671	158,480	20,837	1,545,083	1,729,071
Transfer to general fund	-	-	(60,000)	-	(60,000)
<b>Balance, end of year</b>	<b>\$ 27,827</b>	<b>\$ 477,759</b>	<b>\$ 714,887</b>	<b>\$ 4,218,756</b>	<b>\$ 5,439,229</b>

#### 8. Commitments

Variety has \$2,415,447 (2014 - \$1,901,000) in outstanding commitments to various projects (note 2(e)). This amount does not include amounts related to gaming revenue to be disbursed according to the gaming regulations.

#### 9. Vancouver Foundation Endowment

In 1996, Variety established the Vancouver Foundation's Variety Club of BC Endowment Fund at the Vancouver Foundation. This fund, created from bequests, will be maintained in perpetuity and is non-recoverable by Variety. All net earnings from this fund are payable to Variety's Heart Fund account. During the year no monies were forwarded to the endowment fund. The income distribution paid to Variety was \$94,198 (2014 - \$89,894).