

Financial Statements of

**VARIETY – THE CHILDREN’S
CHARITY OF BC**

Year ended September 30, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Variety – The Children's Charity of BC, which comprise the statement of financial position as at September 30, 2016, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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 preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 an 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of Variety – The Children’s Charity of BC as at September 30, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of Variety – The Children’s Charity of BC as at and for the year ended September 30, 2015 were audited by another auditor who expressed an unqualified opinion on November 30, 2015.

Report on other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

November 28, 2016
Burnaby, Canada

VARIETY - THE CHILDREN'S CHARITY OF BC

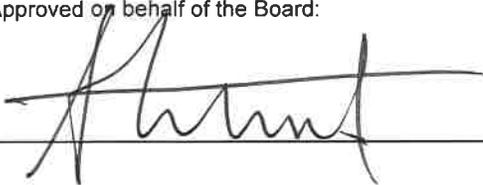
Statement of Financial Position

September 30, 2016, with comparative information for 2015

	General Fund	Gaming Fund	Other Restricted Fund	Endowment Fund	BCFRP Fund	2016 Total	2015 Total
Assets							
Current assets:							
Cash	\$ 86,881	\$ 26,808	\$ -	\$ -	\$ 3,674,928	\$ 3,788,617	\$ 5,935,458
Short-term investments (note 3)	5,842,051	-	617,313	-	-	6,459,364	7,962,846
Accounts receivable	119,777	-	-	-	1,941	121,718	67,552
Prepaid expenses	129,217	-	-	-	-	129,217	99,860
Interfund balances	47,822	(4,507)	-	-	(43,315)	-	-
	6,225,748	22,301	617,313	-	3,633,554	10,498,916	14,065,716
Property and equipment (note 4)	1,700,326	-	-	-	-	1,700,326	1,745,504
Endowment fund investments (note 5)	-	-	-	684,064	-	684,064	774,887
	\$ 7,926,074	\$ 22,301	\$ 617,313	\$ 684,064	\$ 3,633,554	\$ 12,883,306	\$ 16,586,107
Liabilities and Fund Balances							
Current liabilities:							
Accounts payable and accrued liabilities (note 6)	223,400	-	-	-	-	223,400	306,102
Deferred revenue	14,727	-	-	-	-	14,727	19,442
	238,127	-	-	-	-	238,127	325,544
Fund balances:							
Unrestricted	5,987,621	-	-	-	-	5,987,621	9,075,831
Invested in property and equipment	1,700,326	-	-	-	-	1,700,326	1,745,503
Externally restricted	-	22,301	617,313	684,064	3,633,554	4,957,232	5,439,229
	7,687,947	22,301	617,313	684,064	3,633,554	12,645,179	16,260,563
Commitments (note 7)							
	\$ 7,926,074	\$ 22,301	\$ 617,313	\$ 684,064	\$ 3,633,554	\$ 12,883,306	\$ 16,586,107

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Operations and Changes in Net Assets

Year ended September 30, 2016, with comparative information for 2015

	General Fund	Gaming Fund	Other Restricted Fund	Endowment Fund	BCFRP Fund	2016 Total	2015 Total
Revenue:							
Donations and bequests	\$ 4,171,564	\$ -	\$ 321,475	\$ 5,000	\$ -	\$ 4,498,039	\$ 5,913,290
Government funding	-	-	-	-	1,000,000	1,000,000	3,000,000
Interest, membership and miscellaneous	364,464	339	2,135	14,177	30,552	411,667	592,482
Rental	87,048	-	-	-	-	87,048	73,512
Gaming	-	185,541	-	-	-	185,541	244,206
	<u>4,623,076</u>	<u>185,880</u>	<u>323,610</u>	<u>19,177</u>	<u>1,030,552</u>	<u>6,182,295</u>	<u>9,823,490</u>
Expenses and disbursements:							
Fundraising	2,195,501	54,831	46,745	-	-	2,297,077	2,226,280
Administration and general	1,180,225	-	-	-	336,623	1,516,848	1,520,935
Amortization	59,636	-	-	-	-	59,636	62,768
Occupancy costs	154,145	-	-	-	-	154,145	176,983
Heart of Variety Fund disbursements	4,216,956	136,575	137,311	-	-	4,490,842	4,399,627
BCFRP disbursements	-	-	-	-	1,279,131	1,279,131	1,172,776
	<u>7,806,463</u>	<u>191,406</u>	<u>184,056</u>	<u>-</u>	<u>1,615,754</u>	<u>9,797,679</u>	<u>9,559,369</u>
Excess (deficiency) of revenue over expenses and disbursements	(3,183,387)	(5,526)	139,554	19,177	(585,202)	(3,615,384)	264,121
Fund balances, beginning of year	10,821,334	27,827	477,759	714,887	4,218,756	16,260,563	15,996,442
Interfund transfers	50,000	-	-	(50,000)	-	-	-
Fund balances, end of year	\$ 7,687,947	\$ 22,301	\$ 617,313	\$ 684,064	\$ 3,633,554	\$ 12,645,179	\$ 16,260,563

See accompanying notes to financial statements.

VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Cash Flows

Year ended September 30, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses and disbursements	\$ (3,615,384)	\$ 264,121
Items not involving cash:		
Amortization	59,636	62,768
	(3,555,748)	326,889
Changes in non-working capital:		
Accounts receivable	(54,166)	(8,940)
Prepaid expenses	(29,357)	(31,574)
Accounts payable and accrued liabilities	(82,702)	(45,322)
Deferred revenue	(4,715)	(19,662)
	(170,940)	(105,498)
	(3,726,688)	221,391
Investing activities:		
Purchase of property and equipment	(14,458)	(5,447)
Net change in investments	1,594,305	2,590,329
	1,579,847	2,584,882
Net increase (decrease) in cash	(2,146,841)	2,806,273
Cash, beginning of year	5,935,458	3,129,185
Cash, end of year	\$ 3,788,617	\$ 5,935,458

See accompanying notes to financial statements.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (Continued)

Year ended September 30, 2016

1. Operations:

Variety - The Children's Charity of BC ("Variety") is incorporated under the Society Act (British Columbia). The purpose of Variety is to provide grants for health care assistance to children of BC with special needs. Variety is a registered charity under the Income Tax Act (the "Act") and accordingly, is exempt from income taxes provided certain requirements of the Act are met.

2. Significant accounting policies:

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

(a) Basis of accounting:

The General Fund accounts for Variety's program delivery and administrative activities. This fund includes unrestricted assets, liabilities, revenue, expenses and disbursements, and restricted donations that are not recorded in other restricted funds.

The Gaming Fund includes assets, liabilities, revenue, expenses and disbursements restricted for use in accordance with gaming regulations.

The Other Restricted Fund includes assets, liabilities, revenue, expenses and disbursements restricted for the On My Way and Sunshine Coach programs.

The Endowment Fund includes the principal of endowment contributions. Investment income earned on the Endowment Fund investments is included in either the Other Restricted Fund or General Fund depending on the nature of any restrictions imposed by the contributors. 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.

The BC Family Residence Program ("BCFRP") Fund includes assets, liabilities, revenue, expenses and disbursements restricted for the BCFRP administered on behalf of Provincial Health Services Authority ("PHSA").

(b) Revenue recognition:

Variety follows the restricted fund method of accounting for contributions.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions for which no restricted fund exists are recognized as revenue in the General Fund in the year in which related expenses are incurred.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (Continued)

Year ended September 30, 2016

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income comprises interest generated on cash balances and fixed income investments, and realized gains and losses on the sale of investments. Investment income is recognized when earned on an accrual basis.

(c) Investments:

Investments consist of guaranteed income certificates ("GICs") and term deposits. All investments are considered short-term as they are readily redeemable at the option of Variety. Endowment Fund investments are classified as long-term investments, regardless of maturity, based on the contributors' stipulation that the funds be held in perpetuity.

(d) Property and equipment:

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life or improve the original service potential of an asset are capitalized. When an asset no longer contributes to Variety's ability to provide services, its carrying value is written down to its residual value, if any. Property and equipment is amortized using the following annual rates:

Asset	Basis	Rate
Building	declining balance	4%
Building improvements	straight-line	5 years
Office and computer equipment	declining balance	20%
Signs	declining balance	20%
Telethon set	straight-line	3 years
Vehicles	declining balance	30%

(e) Contributed goods and services:

Variety records the fair value of contributed goods which are to be used for specific joint or fundraising projects, where such fair value is determinable, and the goods would otherwise have been purchased.

Volunteers contribute a number of hours to assist Variety in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (Continued)

Year ended September 30, 2016

2. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship, and equity instruments that are quoted in an active market, are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Variety has elected to record its investments at fair value.

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 costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Variety expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

The preparation of financial statements in accordance 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. Short-term investments:

Short-term investments consist of GIC's with interest rates ranging from 2.05% to 2.90% (2015 – 2.05% to 3.25%) and maturity dates from October 2016 to October 2020 (2015 – October 2015 to July 2020).

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (Continued)

Year ended September 30, 2016

4. Property and equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 813,639	\$ -	\$ 813,639	\$ 813,639
Building	1,748,465	926,666	821,799	856,041
Office and computer equipment	635,269	581,392	53,877	50,775
Telethon set	58,721	53,429	5,292	16,878
Vehicles	59,427	53,708	5,719	8,171
	\$ 3,315,521	\$ 1,615,195	\$ 1,700,326	\$ 1,745,504

5. Endowment Fund:

The endowment fund consists of the following:

	2016	2015
The Joseph and Rosalie Segal Endowed Fund Income to be used for the benefit of Variety's children who have special needs.	\$ 569,704	\$ 605,527
The Yolande Anderson Endowed Fund Income 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.	100,000	95,000
The Art and Mary Jones Endowed Fund Income 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
Total endowment funds.	\$ 684,064	\$ 714,887

Endowment Fund investments consist of GIC's with interest rates ranging from 1.75% to 2.80% (2015 – 1.75% to 3.00%) and maturity dates from May 2017 to June 2021 (2015 – June 2016 to May 2020).

6. Accounts payable and accrued liabilities:

As at September 30, 2016, accounts payable and accrued liabilities includes government remittances payable of \$2,902 (2015 - \$815).

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (Continued)

Year ended September 30, 2016

7. 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. As at September 30, 2016, Variety has \$2,343,948 (2015 - \$2,415,447) in outstanding commitments to various projects. This amount does not include amounts related to gaming revenue to be disbursed according to the gaming regulations.

8. 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 by Vancouver Foundation in perpetuity and is not recoverable by Variety. Accordingly, this amount has not been recorded in Variety's financial statements.

All net earnings from this fund are payable to Variety's Heart Fund account. In 2016, the income distribution paid to Variety was \$94,732 (2015 - \$94,198).

9. Financial risks:

(i) Credit risk:

Variety is exposed to credit risk in its cash and investments. 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 on its accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Accounts receivable are primarily due from government agencies.

(ii) Liquidity risk:

Liquidity risk is the risk that Variety will not be able to meet its financial obligations as they become due. Variety's financial liabilities consist of its accounts payable and accrued liabilities which are all due to be paid within one year. Available cash and short-term investment 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.

10. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.