

Financial Statements of

**VARIETY - THE CHILDREN'S  
CHARITY OF BC**

And Independent Auditors' Report thereon

Year ended September 30, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of Variety - The Children's Charity of BC

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the financial statements of Variety - The Children's Charity of BC ("Variety"), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of Variety as at September 30, 2019, 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.

#### *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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

Those charged with governance are responsible for overseeing Variety'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.

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 Variety'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 Variety'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 Variety 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.

### **Report on Other Legal and Regulatory Requirements**

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

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Burnaby, Canada  
November 25, 2019

# VARIETY - THE CHILDREN'S CHARITY OF BC

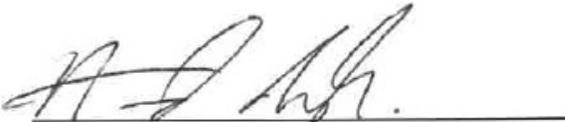
Statement of Financial Position

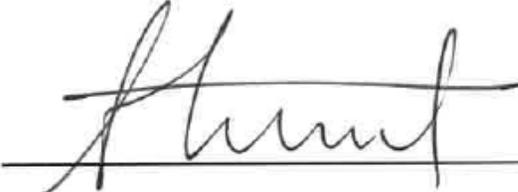
September 30, 2019, with comparative information for 2018

	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Endowment Fund	2019 Total	2018 Total
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 430,445	\$ 40,778	\$ -	\$ 2,933,439	\$ 3,406	\$ 3,408,068	\$ 4,389,273
Short-term investments, at fair value (note 3)	2,127,895	-	835,440	-	-	2,963,335	3,210,589
Accounts receivable	129,511	-	-	4,780	-	134,291	311,316
Prepaid expenses	252,130	-	-	-	-	252,130	140,047
Interfund balances	42,832	1,793	-	(44,056)	(569)	-	-
	2,982,813	42,571	835,440	2,894,163	2,837	6,757,824	8,051,225
Capital assets (note 4)	1,611,344	-	-	-	-	1,611,344	1,659,562
Endowment fund investments, at fair value (note 5)	-	-	-	-	720,854	720,854	647,406
	\$ 4,594,157	\$ 42,571	\$ 835,440	\$ 2,894,163	\$ 723,691	\$ 9,090,022	\$ 10,358,193
<b>Liabilities and Fund Balances</b>							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 309,823	\$ -	\$ -	\$ -	\$ -	\$ 309,823	\$ 307,921
Deferred revenue	29,353	-	-	-	-	29,353	17,601
	339,176	-	-	-	-	339,176	325,522
Fund balances:							
Unrestricted	2,643,637	-	-	-	-	2,643,637	3,482,419
Invested in capital assets	1,611,344	-	-	-	-	1,611,344	1,659,562
Externally restricted	-	42,571	835,440	2,894,163	723,691	4,495,865	4,890,690
	4,254,981	42,571	835,440	2,894,163	723,691	8,750,846	10,032,671
Commitments (note 6)							
	\$ 4,594,157	\$ 42,571	\$ 835,440	\$ 2,894,163	\$ 723,691	\$ 9,090,022	\$ 10,358,193

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 Fund Balances

Year ended September 30, 2019, with comparative information for 2018

	Restricted Funds						Endowment Fund	2019 Total	2018 Total
	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Total Restricted Funds				
<b>Revenue:</b>									
Donations and bequests	\$ 4,643,811	\$ -	\$ 269,739	\$ -	\$ 269,739	\$ -	\$ 4,913,550	\$ 4,505,768	
Government funding	-	-	-	1,300,000	1,300,000	-	1,300,000	1,000,000	
Interest, membership and miscellaneous	213,722	450	2,562	57,987	60,999	13,891	288,612	281,123	
Rental	94,358	-	-	-	-	-	94,358	89,647	
Gaming	-	69,452	-	-	69,452	-	69,452	110,954	
	4,951,891	69,902	272,301	1,357,987	1,700,190	13,891	6,665,972	5,987,492	
<b>Expenses and disbursements:</b>									
Fundraising	2,307,604	18,559	-	-	18,559	-	2,326,163	2,305,066	
Administration and general	870,662	-	-	384,747	384,747	-	1,255,409	1,295,092	
Amortization	53,943	-	-	-	-	-	53,943	81,132	
Occupancy costs	186,981	-	-	-	-	-	186,981	162,325	
Heart of Variety Fund disbursements	2,419,701	45,882	251,348	-	297,230	-	2,716,931	2,420,492	
BCFRP disbursements	-	-	-	1,408,370	1,408,370	-	1,408,370	1,472,309	
	5,838,891	64,441	251,348	1,793,117	2,108,906	-	7,947,797	7,736,416	
Excess (deficiency) of revenue over expenses and disbursements	(887,000)	5,461	20,953	(435,130)	(408,716)	13,891	(1,281,825)	(1,748,924)	
Fund balances, beginning of year	5,141,981	37,110	814,487	3,329,293	4,180,890	709,800	10,032,671	11,781,595	
Fund balances, end of year	\$ 4,254,981	\$ 42,571	\$ 835,440	\$ 2,894,163	\$ 3,772,174	\$ 723,691	\$ 8,750,846	\$ 10,032,671	

See accompanying notes to financial statements.

# VARIETY - THE CHILDREN'S CHARITY OF BC

## Statement of Cash Flows

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and disbursements	\$ (1,281,825)	\$ (1,748,924)
Amortization, an item not involving cash	53,943	81,132
	(1,227,882)	(1,667,792)
Changes in non-cash working capital:		
Accounts receivable	177,025	(138,877)
Prepaid expenses	(112,083)	(11,203)
Accounts payable and accrued liabilities	1,902	68,082
Deferred revenue	11,752	(35,355)
	78,596	(117,353)
	(1,149,286)	(1,785,145)
Investing activities:		
Purchase of capital assets	(5,725)	(19,463)
Disposal of investments, net	173,806	1,163,759
	168,081	1,144,296
Decrease in cash and cash equivalents	(981,205)	(640,849)
Cash and cash equivalents, beginning of year	4,389,273	5,030,122
Cash and cash equivalents, end of year	\$ 3,408,068	\$ 4,389,273

See accompanying notes to financial statements.

# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements

Year ended September 30, 2019

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## 1. Operations:

Variety - The Children's Charity of BC ("Variety") is incorporated under the Societies 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 Sunshine Coach and Sunshine Family Van 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.

Donations and bequests 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 donations and bequests for which no restricted fund exists are recognized as revenue in the General Fund.

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2019

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

Unrestricted donations and bequests 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.

Externally restricted government funding for the BCFRP is recognized as revenue in BCFRP Fund when 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.

Rental revenue is recorded as the services are provided. Rental payments received in the month prior to which it relates are deferred and recognized as revenue during the ensuing month.

### (c) Investments:

Investments consist of guaranteed income certificates ("GICs"). 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) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets 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. Capital assets are amortized using the following annual rates:

Asset	Basis	Rate
Building	declining balance	4%
Office and computer equipment	declining balance	20%
Signs	declining balance	20%
Vehicles	declining balance	30%

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# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2019

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## 2. Significant accounting policies (continued):

### (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 significant 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.

### (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 that have interest rates ranging from 1.60% to 3.25% (2018 - 1.60% to 2.90%) and maturity dates from March 2020 to January 2024 (2018 - October 2018 to June 2023).

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2019

## 4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 813,639	\$ -	\$ 813,639	\$ 813,639
Building	1,748,465	1,021,390	727,075	757,370
Office and computer equipment	1,135,308	1,066,640	68,668	85,750
Vehicles	59,428	57,466	1,962	2,803
	\$ 3,756,840	\$ 2,145,496	\$ 1,611,344	\$ 1,659,562

## 5. Endowment Fund:

The endowment fund consists of the following:

	2019	2018
<b>The Joseph and Rosalie Segal Endowed Fund</b> Income to be used for the benefit of Variety's children who have special needs.	\$ 609,331	\$ 595,440
<b>The Yolande Anderson Endowed Fund</b> 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	100,000
<b>The Art and Mary Jones Endowed Fund</b> 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
<b>Total endowment funds</b>	\$ 723,691	\$ 709,800

Endowment Fund investments consist of GIC's that have interest rates ranging from 1.80% to 3.25% (2018 - 1.75% to 2.80%) and maturity dates from May 2020 to September 2024 (2018 - October 2018 to September 2022).

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2019

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## 6. Commitments:

As part of its charitable operations, Variety makes various commitments to other organizations and individuals 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, 2019, Variety has \$1,477,961 (2018 - \$1,437,719) in outstanding commitments. These commitments do not include amounts related to gaming revenue to be disbursed according to the gaming regulations.

## 7. 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 2019, the income distribution paid to Variety was \$113,916 (2018 - \$108,891).

## 8. Disclosure of employee and contractor remuneration:

For the year ended September 30, 2019, Variety paid total remuneration of \$752,325 to eight employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

In accordance with Variety's bylaws, no remuneration was paid to any Board members of Variety during the year.

## 9. Financial risks and concentration of risks:

### (a) Credit risk:

Variety is exposed to credit risk in its cash and cash equivalents and investments. The organization limits its credit risk with respect to short-term investments by purchasing liquid investments such as GICs 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.

### (b) 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.