

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended September 30, 2020



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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, 2020
- 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, 2020, 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' with a horizontal line underneath.

Chartered Professional Accountants

Burnaby, Canada

November 30, 2020

# VARIETY - THE CHILDREN'S CHARITY OF BC

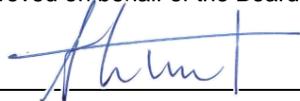
Statement of Financial Position

September 30, 2020, with comparative information for 2019

	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Endowment Fund	2020 Total	2019 Total
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 920,072	\$ 105,302	\$ -	\$ 2,977,837	\$ 6,465	\$ 4,009,676	\$ 3,408,068
Short-term investments, at fair value (note 3)	3,428,812	-	998,629	-	-	4,427,441	2,963,335
Accounts receivable (note 10)	221,148	-	-	18,715	-	239,863	134,291
Prepaid expenses	66,417	-	-	-	-	66,417	252,130
Interfund balances	(28,528)	3,814	(16,129)	41,414	(571)	-	-
	4,607,921	109,116	982,500	3,037,966	5,894	8,743,397	6,757,824
Tangible capital assets (note 4)	1,571,856	-	-	-	-	1,571,856	1,611,344
Endowment fund investments, at fair value (note 5)	-	-	-	-	731,970	731,970	720,854
	\$ 6,179,777	\$ 109,116	\$ 982,500	\$ 3,037,966	\$ 737,864	\$ 11,047,223	\$ 9,090,022
<b>Liabilities and Fund Balances</b>							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 420,931	\$ -	\$ -	\$ -	\$ -	\$ 420,931	\$ 309,823
Deferred revenue	48,114	-	-	-	-	48,114	29,353
	469,045	-	-	-	-	469,045	339,176
Fund balances:							
Unrestricted	4,138,876	-	-	-	-	4,138,876	2,643,637
Invested in capital assets	1,571,856	-	-	-	-	1,571,856	1,611,344
Externally restricted	-	109,116	982,500	3,037,966	737,864	4,867,446	4,495,865
	5,710,732	109,116	982,500	3,037,966	737,864	10,578,178	8,750,846
Commitments (note 6)							
Impact of COVID-19 (note 11)							
	\$ 6,179,777	\$ 109,116	\$ 982,500	\$ 3,037,966	\$ 737,864	\$ 11,047,223	\$ 9,090,022

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, 2020, with comparative information for 2019

	Restricted Funds						2020 Total	2019 Total
	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Total Restricted Funds	Endowment Fund		
<b>Revenue:</b>								
Donations and bequests	\$ 6,543,521	\$ -	\$ 296,665	\$ -	\$ 296,665	\$ -	\$ 6,840,186	\$ 4,913,550
Government funding	-	-	-	1,800,000	1,800,000	-	1,800,000	1,300,000
Interest, membership and miscellaneous (note 10)	571,764	485	2,709	121,469	124,663	14,173	710,600	288,612
Rental	94,331	-	-	-	-	-	94,331	94,358
Gaming	-	168,820	-	-	168,820	-	168,820	69,452
	<u>7,209,616</u>	<u>169,305</u>	<u>299,374</u>	<u>1,921,469</u>	<u>2,390,148</u>	<u>14,173</u>	<u>9,613,937</u>	<u>6,665,972</u>
<b>Expenses and disbursements:</b>								
Fundraising	2,519,395	77,008	(22)	-	76,986	-	2,596,381	2,326,163
Administration and general	873,384	-	-	400,089	400,089	-	1,273,473	1,255,409
Amortization	50,648	-	-	-	-	-	50,648	53,943
Occupancy costs	160,403	-	-	-	-	-	160,403	186,981
Heart of Variety Fund disbursements	2,166,164	25,752	136,207	-	161,959	-	2,328,123	2,716,931
BCFRP disbursements	-	-	-	1,377,577	1,377,577	-	1,377,577	1,408,370
	<u>5,769,994</u>	<u>102,760</u>	<u>136,185</u>	<u>1,777,666</u>	<u>2,016,611</u>	<u>-</u>	<u>7,786,605</u>	<u>7,947,797</u>
Excess (deficiency) of revenue over expenses and disbursements	1,439,622	66,545	163,189	143,803	373,537	14,173	1,827,332	(1,281,825)
Fund balances, beginning of year	4,254,981	42,571	835,440	2,894,163	3,772,174	723,691	8,750,846	10,032,671
Interfund transfers	16,129	-	(16,129)	-	(16,129)	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 5,710,732</b>	<b>\$ 109,116</b>	<b>\$ 982,500</b>	<b>\$ 3,037,966</b>	<b>\$ 4,129,582</b>	<b>\$ 737,864</b>	<b>\$ 10,578,178</b>	<b>\$ 8,750,846</b>

See accompanying notes to financial statements.

# VARIETY - THE CHILDREN'S CHARITY OF BC

## Statement of Cash Flows

Year ended September 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses and disbursements	\$ 1,827,332	\$ (1,281,825)
Amortization, an item not involving cash	50,648	53,943
	<u>1,877,980</u>	<u>(1,227,882)</u>
Changes in non-cash working capital:		
Accounts receivable	(105,572)	177,025
Prepaid expenses	185,713	(112,083)
Accounts payable and accrued liabilities	111,108	1,902
Deferred revenue	18,761	11,752
	<u>210,010</u>	<u>78,596</u>
	2,087,990	(1,149,286)
Investing activities:		
Purchase of tangible capital assets	(11,160)	(5,725)
Redemption (purchase) of investments, net	(1,475,222)	173,806
	<u>(1,486,382)</u>	<u>168,081</u>
Increase (decrease) in cash and cash equivalents	601,608	(981,205)
Cash and cash equivalents, beginning of year	3,408,068	4,389,273
Cash and cash equivalents, end of year	<u>\$ 4,009,676</u>	<u>\$ 3,408,068</u>

See accompanying notes to financial statements.

# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements

Year ended September 30, 2020

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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, 2020

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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 over the rental period covered. 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) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible 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 a tangible capital asset no longer contributes to the Variety's ability to provide services, or the value of future economic benefits or service potential associated with the asset is less than its net carrying amount, the excess of its carrying amount over its fair value or replacement cost will be recognized as an expense in the statement of operations. Tangible capital assets are amortized using the following annual rates:

Asset	Basis	Rate
Building	declining balance	4%
Office and computer equipment	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, 2020

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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.

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2020

## 2. Significant accounting policies (continued):

### (h) New accounting standards:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in Canadian accounting standards for not-for-profit organizations; Section 4433, *Tangible capital assets held by not-for-profit organizations*, Section 4434, *Intangible assets held by not-for-profit organizations* and Section 4441, *Collections held by not-for-profit organizations*.

The amendments are effective for financial statements with fiscal years beginning on or after January 1, 2019. Management has considered the application of the aforementioned new accounting standards and the implementation of these changes had no impact on Variety's financial statements.

## 3. Short-term investments:

Short-term investments consist of GIC's that have interest rates ranging from 0.05% to 3.25% (2019 - 1.60% to 3.25%) and maturity dates from November 2020 to August 2025 (2019 - March 2020 to January 2024).

## 4. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 813,639	\$ -	\$ 813,639	\$ 813,639
Building	1,748,465	1,050,473	697,992	727,075
Office and computer equipment	1,146,467	1,087,353	59,114	68,668
Vehicles	22,679	21,568	1,111	1,962
	<u>\$ 3,731,250</u>	<u>\$ 2,159,394</u>	<u>\$ 1,571,856</u>	<u>\$ 1,611,344</u>

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2020

## 5. Endowment Fund:

The endowment fund consists of the following:

	2020	2019
<b>The Joseph and Rosalie Segal Endowed Fund</b>		
Income to be used for the benefit of Variety's children who have special needs.	\$ 623,504	\$ 609,331
<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>	<b>\$ 737,864</b>	<b>\$ 723,691</b>

Endowment Fund investments consist of GIC's that have interest rates ranging from 1.7% to 3.25% (2019 - 1.80% to 3.25%) and maturity dates from June 2021 to August 2025 (2019 - May 2020 to September 2024).

## 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, 2020, Variety has \$695,333 (2019 - \$1,477,961) 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 2020, the income distribution paid to Variety was \$117,525 (2019 - \$113,916).

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2020

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## 8. Disclosure of employee and contractor remuneration:

For the year ended September 30, 2020, Variety paid total remuneration of \$578,037 (2019 - \$752,325) to six (2019 - 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) Market risk:

Market risk is the risk that changes in market prices - e.g. foreign exchange rates and interest rates - will affect Variety's income or the value of its holdings of financial instruments. Variety is exposed to market risk in its cash and cash equivalents and investments. The organization limits its market risk with respect to short-term investments by purchasing liquid investments such as GICs and holds all funds at Canadian institutions.

### (b) Credit risk:

Credit risk is the risk of financial loss to Variety if a counterparty to a financial instrument fails to meet its contractual obligations. 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.

### (c) 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 has been no change to the risk exposure from 2019 other than the potential impact related to COVID-19 pandemic (note 11).

## 10. Miscellaneous income:

Included in miscellaneous income for the year ended September 30, 2020 is government assistance related to the Temporary Wage Subsidy and Canada Emergency Wage Subsidy of \$446,147 (2019 - nil) from the Government of Canada to assist with the COVID-19 pandemic (note 11). As at September 30, 2020, \$61,393 (2019 - nil) of funding related to the September claim period has been included in accounts receivable.

# VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2020

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## **11. Impact of COVID-19:**

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and ongoing and the ultimate duration and magnitude of the impact on the economy are not known at this time.

Subsequent to year-end, Variety has not experienced any significant reduction in revenues. However, there is continued uncertainty over future donations revenue. An estimate of the financial effect is not practicable at this time. Management will continue to monitor the ongoing financial impact on its cash and budget forecasts and adjust its operations as required to ensure its ability to fulfill its obligations and continue operations.