

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended September 30, 2021



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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, 2021
- 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, 2021, 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, stylized font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Burnaby, Canada

November 29, 2021

VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Financial Position

September 30, 2021, with comparative information for 2020

	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Endowment Fund	2021 Total	2020 Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 6,554,524	\$ 126,788	\$ -	\$ 3,523,345	\$ 212,343	\$ 10,417,000	\$ 4,009,676
Short-term investments, at fair value (note 3)	685,935	-	681,399	-	-	1,367,334	4,427,441
Accounts receivable (note 10)	90,450	-	-	100	-	90,550	239,863
Prepaid expenses	208,272	-	-	-	-	208,272	66,417
Interfund balances	76,146	7,998	-	(83,898)	(246)	-	-
	7,615,327	134,786	681,399	3,439,547	212,097	12,083,156	8,743,397
Tangible capital assets (note 4)	1,525,784	-	-	-	-	1,525,784	1,571,856
Endowment fund investments, at fair value (note 5)	-	-	-	-	539,535	539,535	731,970
	\$ 9,141,111	\$ 134,786	\$ 681,399	\$ 3,439,547	\$ 751,632	\$ 14,148,475	\$ 11,047,223
Liabilities and Fund Balances							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 579,319	\$ -	\$ -	\$ -	\$ -	\$ 579,319	\$ 420,931
Deferred revenue	-	-	-	-	-	-	48,114
	579,319	-	-	-	-	579,319	469,045
Fund balances:							
Unrestricted	7,036,008	-	-	-	-	7,036,008	4,138,876
Invested in tangible capital assets	1,525,784	-	-	-	-	1,525,784	1,571,856
Externally restricted	-	134,786	681,399	3,439,547	751,632	5,007,364	4,867,446
	8,561,792	134,786	681,399	3,439,547	751,632	13,569,156	10,578,178
Commitments (note 6)							
	\$ 9,141,111	\$ 134,786	\$ 681,399	\$ 3,439,547	\$ 751,632	\$ 14,148,475	\$ 11,047,223

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, 2021, with comparative information for 2020

	Restricted Funds					Endowment Fund	2021 Total	2020 Total
	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Total Restricted Funds			
Revenue:								
Donations and bequests	\$ 7,483,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,483,232	\$ 6,840,186
Government funding	-	-	-	1,900,000	1,900,000	-	1,900,000	1,800,000
Interest, membership and miscellaneous (note 10)	684,259	891	-	136,143	137,034	13,768	835,061	710,600
Rental	104,578	-	-	-	-	-	104,578	94,331
Gaming	-	212,568	-	-	212,568	-	212,568	168,820
	<u>8,272,069</u>	<u>213,459</u>	<u>-</u>	<u>2,036,143</u>	<u>2,249,602</u>	<u>13,768</u>	<u>10,535,439</u>	<u>9,613,937</u>
Expenses and disbursements:								
Fundraising	1,880,276	126,663	-	-	126,663	-	2,006,939	2,596,381
Administration and general	924,699	-	-	444,504	444,504	-	1,369,203	1,273,473
Amortization	49,862	-	-	-	-	-	49,862	50,648
Occupancy costs	186,759	-	-	-	-	-	186,759	160,403
Heart of Variety Fund disbursements	2,379,413	61,126	301,101	-	362,227	-	2,741,640	2,328,123
BCFRP disbursements	-	-	-	1,190,058	1,190,058	-	1,190,058	1,377,577
	<u>5,421,009</u>	<u>187,789</u>	<u>301,101</u>	<u>1,634,562</u>	<u>2,123,452</u>	<u>-</u>	<u>7,544,461</u>	<u>7,786,605</u>
Excess (deficiency) of revenue over expenses and disbursements	2,851,060	25,670	(301,101)	401,581	126,150	13,768	2,990,978	1,827,332
Fund balances, beginning of year	5,710,732	109,116	982,500	3,037,966	4,129,582	737,864	10,578,178	8,750,846
Fund balances, end of year	<u>\$ 8,561,792</u>	<u>\$ 134,786</u>	<u>\$ 681,399</u>	<u>\$ 3,439,547</u>	<u>\$ 4,255,732</u>	<u>\$ 751,632</u>	<u>\$ 13,569,156</u>	<u>\$ 10,578,178</u>

See accompanying notes to financial statements.

VARIETY - THE CHILDREN'S CHARITY OF BC

Statement of Cash Flows

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses and disbursements	\$ 2,990,978	\$ 1,827,332
Items not involving cash:		
Amortization	49,862	50,648
Loss on disposal of tangible capital assets	5,803	-
	<u>3,046,643</u>	<u>1,877,980</u>
Changes in non-cash working capital:		
Accounts receivable	149,313	(105,572)
Prepaid expenses	(141,855)	185,713
Accounts payable and accrued liabilities	158,388	111,108
Deferred revenue	(48,114)	18,761
	<u>117,732</u>	<u>210,010</u>
	<u>3,164,375</u>	<u>2,087,990</u>
Investing activities:		
Purchase of tangible capital assets	(13,093)	(11,160)
Proceeds from disposal of tangible capital assets	3,500	-
Net change in investments	<u>3,252,542</u>	<u>(1,475,222)</u>
	<u>3,242,949</u>	<u>(1,486,382)</u>
Increase in cash and cash equivalents	6,407,324	601,608
Cash and cash equivalents, beginning of year	4,009,676	3,408,068
Cash and cash equivalents, end of year	<u>\$ 10,417,000</u>	<u>\$ 4,009,676</u>

See accompanying notes to financial statements.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

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.

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The subsequent shutdowns globally, nationally and domestically have had a significant impact on the jurisdictions and market sectors in which Variety operates. The situation is dynamic and ongoing and the ultimate duration and magnitude of the impact on the economy are not known at this time.

Variety has not experienced any significant reduction in revenues or other significant financial impact to-date. 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.

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 program.

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").

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

2. Significant accounting policies (continued):

(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.

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%

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

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) Measurement uncertainty:

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 0.85% to 3.25% (2020 - 0.05% to 3.25%) and maturity dates from February 2022 to November 2025 (2020 - November 2020 to August 2025).

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

4. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 813,639	\$ -	\$ 813,639	\$ 813,639
Building	1,748,465	1,078,393	670,072	697,992
Office and computer equipment	1,053,560	1,011,487	42,073	59,114
Vehicles	-	-	-	1,111
	\$ 3,615,664	\$ 2,089,880	\$ 1,525,784	\$ 1,571,856

5. Endowment Fund:

The endowment fund consists of the following:

	2021	2020
The Joseph and Rosalie Segal Endowed Fund Income to be used for the benefit of Variety's children who have special needs	\$ 637,272	\$ 623,504
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	100,000
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	\$ 751,632	\$ 737,864

Endowment Fund investments consist of GIC's that have interest rates ranging from 1.70% to 3.25% (2020 - 1.70% to 3.25%) and maturity dates from September 2022 to August 2025 (2020 - June 2021 to August 2025).

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, 2021, Variety has \$690,278 (2020 - \$695,333) in outstanding commitments. These commitments do not include amounts related to gaming revenue to be disbursed according to the gaming regulations.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

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 2021, the income distribution paid to Variety was \$119,041 (2020 - \$117,525).

8. Disclosure of employee and contractor remuneration:

For the year ended September 30, 2021, Variety paid total remuneration of \$698,269 (2020 - \$578,037) to seven (2020 - six) 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, such as 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 cash equivalents and short-term investment balances are more than sufficient to fund Variety's operations and commitments for the foreseeable future.

There has been no significant change to these risk exposures from 2020.

VARIETY - THE CHILDREN'S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2021

10. Miscellaneous income:

Included in miscellaneous income for the year ended September 30, 2021 is government assistance related to the Temporary Wage Subsidy and Canada Emergency Wage Subsidy of \$644,994 (2020 - \$446,147) from the Government of Canada to assist with the COVID-19 pandemic (note 1). As at September 30, 2021, \$38,268 (2020 - \$61,393) of funding related to the September claim period has been included in accounts receivable.