

Financial Statements of

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

Year ended September 30, 2018



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## 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, 2018, the statements of operations and changes in fund balances 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, 2018 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.

**Report on other Legal and Regulatory Requirements**

As required by the Societies 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 26, 2018  
Burnaby, Canada

# VARIETY – THE CHILDREN'S CHARITY OF BC

## Statement of Financial Position

September 30, 2018, with comparative information for 2017

	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Endowment Fund	2018 Total	2017 Total
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 926,268	\$ 43,099	\$ -	\$ 3,356,921	\$ 62,985	\$ 4,389,273	\$ 5,030,122
Short-term investments, at fair value (note 3)	2,396,102	-	814,487	-	-	3,210,589	4,394,345
Accounts receivable	306,807	-	-	4,509	-	311,316	172,439
Prepaid expenses	140,047	-	-	-	-	140,047	128,844
Interfund balances	38,717	(5,989)	-	(32,137)	(591)	-	-
	3,807,941	37,110	814,487	3,329,293	62,394	8,051,225	9,725,750
Capital assets (note 4)	1,659,562	-	-	-	-	1,659,562	1,721,231
Endowment fund investments, at fair value (note 5)	-	-	-	-	647,406	647,406	627,409
	\$ 5,467,503	\$ 37,110	\$ 814,487	\$ 3,329,293	\$ 709,800	\$ 10,358,193	\$ 12,074,390
<b>Liabilities and Fund Balances</b>							
Current liabilities:							
Accounts payable and accrued liabilities (note 6)	\$ 307,921	\$ -	\$ -	\$ -	\$ -	\$ 307,921	\$ 239,839
Deferred revenue	17,601	-	-	-	-	17,601	52,956
	325,522	-	-	-	-	325,522	292,795
Fund balances:							
Unrestricted	3,482,419	-	-	-	-	3,482,419	3,665,620
Invested in capital assets	1,659,562	-	-	-	-	1,659,562	1,721,231
Externally restricted	-	37,110	814,487	3,329,293	709,800	4,890,690	6,394,744
	5,141,981	37,110	814,487	3,329,293	709,800	10,032,671	11,781,595
Commitments (note 7)							
	\$ 5,467,503	\$ 37,110	\$ 814,487	\$ 3,329,293	\$ 709,800	\$ 10,358,193	\$ 12,074,390

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, 2018, with comparative information for 2017

	Restricted Funds					Endowment Fund	2018 Total	2017 Total
	General Fund	Gaming Fund	Other Restricted Fund	BCFRP Fund	Total Restricted Funds			
<b>Revenue:</b>								
Donations and bequests	\$ 4,199,607	\$ -	\$ 306,161	\$ -	\$ 306,161	\$ -	\$ 4,505,768	\$ 5,467,416
Government funding	-	-	-	1,000,000	1,000,000	-	1,000,000	2,000,000
Interest, membership and miscellaneous	215,759	495	2,265	49,748	52,508	12,856	281,123	285,125
Rental	89,647	-	-	-	-	-	89,647	82,208
Gaming	-	110,954	-	-	110,954	-	110,954	116,479
	<u>4,505,013</u>	<u>111,449</u>	<u>308,426</u>	<u>1,049,748</u>	<u>1,469,623</u>	<u>12,856</u>	<u>5,987,492</u>	<u>7,951,228</u>
<b>Expenses and disbursements:</b>								
Fundraising	2,273,441	31,625	-	-	31,625	-	2,305,066	2,146,964
Administration and general	925,867	-	-	369,225	369,225	-	1,295,092	1,408,779
Amortization	81,132	-	-	-	-	-	81,132	81,339
Occupancy costs	162,325	-	-	-	-	-	162,325	166,207
Heart of Variety Fund disbursements	1,307,118	61,142	1,052,232	-	1,113,374	-	2,420,492	3,795,973
BCFRP disbursements	-	-	-	1,472,309	1,472,309	-	1,472,309	1,215,550
	<u>4,749,883</u>	<u>92,767</u>	<u>1,052,232</u>	<u>1,841,534</u>	<u>2,986,533</u>	<u>-</u>	<u>7,736,416</u>	<u>8,814,812</u>
Excess (deficiency) of revenue over expenses and disbursements	(244,870)	18,682	(743,806)	(791,786)	(1,516,910)	12,856	(1,748,924)	(863,584)
Fund balances, beginning of year	5,386,851	18,428	1,558,293	4,121,079	5,697,800	696,944	11,781,595	12,645,179
Fund balances, end of year	\$ 5,141,981	\$ 37,110	\$ 814,487	\$ 3,329,293	\$ 4,180,890	\$ 709,800	\$ 10,032,671	\$ 11,781,595

See accompanying notes to financial statements.

# VARIETY - THE CHILDREN'S CHARITY OF BC

## Statement of Cash Flows

Year ended September 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and disbursements	\$ (1,748,924)	\$ (863,584)
Amortization, an item not involving cash	81,132	81,339
	(1,667,792)	(782,245)
Changes in non-cash working capital:		
Accounts receivable	(138,877)	(50,721)
Prepaid expenses	(11,203)	373
Accounts payable and accrued liabilities	68,082	16,439
Deferred revenue	(35,355)	38,229
	(117,353)	4,320
	(1,785,145)	(777,925)
Investing activities:		
Purchase of capital assets	(19,463)	(102,244)
Disposal of investments, net	1,163,759	2,070,438
	1,144,296	1,968,194
Increase (decrease) in cash and cash equivalents	(640,849)	1,190,269
Cash and cash equivalents, beginning of year	5,030,122	3,839,853
Cash and cash equivalents, end of year	\$ 4,389,273	\$ 5,030,122

See accompanying notes to financial statements.

# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements

Year ended September 30, 2018

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## 1. Operations:

Variety - The Children's Charity of BC ("Variety") was incorporated under the Society Act (British Columbia). On December 6, 2016, Variety transitioned to the new 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:

Variety follows the restricted fund method of accounting for contributions.

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 Variety Kids Can campaign, 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:

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, 2018

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## 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”). 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 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%
Vehicles	declining balance	30%

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### (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.



# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2018

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## 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 that have interest rates ranging from 1.60% to 2.90% (2017 - 1.60% to 2.90%) and maturity dates from October 2018 to June 2023 (2017 - October 2017 to June 2021).

# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2018

## 4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 813,639	\$ -	\$ 813,639	\$ 813,639
Building	1,748,465	991,095	757,370	788,927
Office and computer equipment	1,129,582	1,043,832	85,750	114,661
Vehicles	59,428	56,625	2,803	4,004
	<b>\$ 3,751,114</b>	<b>\$ 2,091,552</b>	<b>\$ 1,659,562</b>	<b>\$ 1,721,231</b>

## 5. Endowment Fund:

The endowment fund consists of the following:

	2018	2017
<b>The Joseph and Rosalie Segal Endowed Fund</b> Income to be used for the benefit of Variety's children who have special needs.	\$ 595,440	\$ 582,584
<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>\$ 709,800</b>	<b>\$ 696,944</b>

Endowment Fund investments consist of GIC's and high interest savings accounts. The GIC's have interest rates ranging from 1.75% to 2.80% (2017 - 1.75% to 2.80%) and maturity dates from October 2018 to September 2022 (2017 - August 2018 to September 2022).

## 6. Accounts payable and accrued liabilities:

As at September 30, 2018, accounts payable and accrued liabilities includes government remittances payable of \$1,705 (2017 - \$1,239) related to indirect taxes.

# VARIETY – THE CHILDREN’S CHARITY OF BC

Notes to Financial Statements (continued)

Year ended September 30, 2018

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## 7. 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, 2018, Variety has \$1,437,719 (2017 - \$1,099,763) in outstanding commitments. These commitments do 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 2018, the income distribution paid to Variety was \$108,891 (2017 - \$104,536).

## 9. Disclosure of employee and contractor remuneration:

For the year ended September 30, 2018, Variety paid total remuneration of \$324,905 to three 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.

## 10. Financial risks and concentration of risks:

### (i) 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 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.